

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

# **Agency Response to the Office of the Inspector General's Semiannual Report to Congress**

April 1, 2015 - September 30, 2015



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## Message from the Director

I am pleased to respond to the United States Office of Personnel Management's (OPM) Office of the Inspector General (OIG) Semiannual Report to Congress for April 1, 2015 to September 30, 2015. In accordance with Section 5 of Public Law 95-452, as amended, we are transmitting our Agency Response, including the legally required statistical tables, to Congress.

OPM continues to value our strong partnership with the OIG. The OIG provides us with timely, quality, and practical recommendations to help us improve our program operations and support our mission. OPM takes pride in addressing OIG findings and recommendations in a prompt manner in order to improve our processes and programs. We took a number of important steps during this reporting period to recover disallowed costs and resolve non-monetary OIG audit findings that strengthen the stewardship of our programs and improve our overall efficiency and effectiveness.

At OPM one of our most important responsibilities is to safeguard the personal information entrusted to us. Unfortunately OPM was the target of a malicious cyber intrusion carried out against the U.S. Government which resulted in the theft of individuals' personal information from OPM databases.

As the Inspector General says, cybersecurity is everyone's responsibility. I appreciate that the Inspector General recognizes OPM's strong intent to make sure that we take the measures necessary to continue to strengthen our cybersecurity posture. In light of recent events, we are ever more vigilant. For the past several years OPM has been working to improve the cybersecurity of our information technology systems. As a result of these improvements, OPM independently detected and performed forensics on an alert that resulted in the identification and elimination of previously unknown adversary activity. OPM continued to work with Department of Homeland Security's (DHS) United States Computer Emergency Readiness Team (US-CERT) and other Federal partners to identify additional mitigation recommendations—efforts that we will continue and strengthen going forward.

During this reporting period, we published and substantially implemented our Cyber Action Plan, which included the US-CERT-recommended mitigations. Some of the cybersecurity enhancements we have accomplished during this reporting period include:

- Hired a new cybersecurity advisor who reports to the Director

- Completed the implementation of 2 factor Personal Identification Verification authentication for 100 percent of users on major information systems that currently have the capability
- Implemented several new cybersecurity tools providing the following capabilities:
  - Ability to detect and quarantine unauthorized executable code anywhere in the network
  - Ability to identify and track Personal Identifiable Information (PII) throughout our systems
  - Ability to protect workstations when they are operating in a stand-alone mode
  - Scanning all e-mail entering and leaving OPM systems
- Upgraded and replaced out of date firewalls to enhance our network and application protections.

OPM and our Federal partners are working to provide protections and services to the individuals impacted by these intrusions. After full and open competitions, we awarded contracts to provide identity theft protection services for those who were impacted. These services will be provided at no cost to the individuals whose sensitive information, including Social Security numbers, was compromised.

As the Inspector General notes, enhancing cybersecurity needs to be a combined Executive Branch and Congressional mission if OPM and agencies across government are to have the resources and tools necessary to protect and secure our information. I look forward to working with the Inspector General as we continue to strengthen and modernize our systems and with the Office of Management and Budget (OMB) and Congress to make sure OPM has sufficient resources to implement the necessary security tools to protect our data.

## **Accomplishments**

OPM remains focused on its mission – to recruit, retain, and honor a world-class workforce to serve the American people. In recognition of our mission, the President selected OPM to take a leading role with the “People and Culture” pillar of the President’s Management Agenda. This element of the agenda strives to ensure an engaged, innovative, and productive Federal workforce. Below, we describe a number of actions we have initiated to support this effort as well as a number of other accomplishments that are key to our mission.

### *People and Culture*

OPM has developed a Customer Experience (CX) Strategic Plan for FY 2015 to FY 2018 that provides a framework for each office within the agency to tailor its efforts to the

specific needs of its customers and for OPM's CX Community of Practice to identify best practices to implement across the agency. As a key component of the framework, OPM established a Chief Experience Officer (CXO) to provide the leadership and vision needed to enhance OPM's organizational culture to make sure the needs and desires of our customers inform the customer experience. The CXO provides motivation and sets standards of accountability to track the agency's customer experience progress.

In addition, we created and launched The "ART" of Customer Service course in June 2015. This initial course, which will be offered annually, provides a refresher of best practices for customer service in Accuracy, Responsiveness, and Timeliness that OPM employees can use to create positive experiences for both OPM's internal and external customers. By September 30, 2015, 22 percent of OPM employees (more than 1,000) had completed the online course.

OPM continues to lead in innovation. During the reporting period, the Lab@OPM was recognized with a first place award in design value by the Design Management Institute, a global organization that honors the contributions of teams that have delivered significant value through design or design management practices. OPM was recognized for our work with the U.S. Department of Agriculture (USDA) to help make it easier for families to enroll their children in USDA's free and reduced lunch program. Using human-centered design, OPM created a simpler application form that has enabled many families to successfully sign up their children for this critical nutrition program.

We continue to provide leadership and innovative workforce development tools to agencies across the Federal Government. In April, OPM and the Chief Human Capital Officers (CHCO) Council sponsored a virtual Human Resources (HR) training conference that focused on closing the HR skills gaps. This was the first government-wide virtual conference for the Human Resource and Human Capital (HC) community. Plenary sessions and 55 workshops covered a wide range of HR/HC topics such as closing skills gaps in HR/HC workforce, recruitment, engagement, diversity and inclusion. Holding a virtual conference yielded an estimated \$4 million in savings compared to the cost of a traditional in-person event. In addition, the virtual conference drew more than 2,300 people from 75 agencies, with as many as 1,766 participating at any one time online during the live event.

Also during the reporting period, OPM partnered with the National Park Service (NPS) to make the hiring process for thousands of its seasonal employees more efficient. OPM reviewed the NPS's seasonal hiring procedures and identified opportunities to streamline the process. The team developed a pilot for announcing vacancies that would eliminate

the redundancy and inefficiency of multiple job announcements by testing one announcement with multiple locations. OPM also helped NPS craft more user-friendly job announcements, providing more specific information about the parks where applicants can serve.

The Presidential Management Fellows (PMF) Program continues to thrive as part of the Pathways programs. OPM received 8,000 applications for the PMF Class of 2015 and selected 600 finalists, including 92 finalists for the PMF STEM track. In August 2015, OPM held its annual PMF Job Fair that helped PMF Class of 2015 finalists find a fellowship within Federal Government. The job fair hosted 65 agencies and 300 finalists. As of the end of the reporting period, 261 finalists have been appointed, including 33 PMF STEM finalists. We hope to meet or exceed the 70 percent placement rate of the Class of 2014 which was the highest placement rate in recent history.

Another way that we are providing agencies tools to recruit, develop, and retain the top talent needed to serve the American people is through OPM's partnership with institutions of higher education. During this reporting period, OPM added Champlain College to its network. This partnership enables Federal employees, their spouses, and qualifying adult family members to pursue affordable, online post-secondary education in high-demand business, health care, and technology fields. Beginning with the 2015 summer semester, Champlain College began offering Federal employees and their families access to more than 60 nationally recognized online certificate, bachelor's, and master's degree programs at a cost of up to 70 percent less than standard online tuition rates.

OPM's efforts to enhance employee engagement are having an impact. On September 28, 2015, OPM released the government-wide employee engagement index scores and the global satisfaction index scores from the 2015 Federal Employees Viewpoint Survey (FEVS). Both indices show an increase from last year and reflect improvement in employee engagement and satisfaction. Federal employees are satisfied with their jobs, their pay, and their organizations. The data also show that the majority of Federal workers are likely to recommend their agency to others as a good place to work.

Also, in September, OPM made its interactive dashboard -- [UnlockTalent.gov](http://UnlockTalent.gov) -- available to the public for the first time. This innovative digital tool allows users to see the FEVS data in visual formats, allows comparisons among agencies, and also provides trend data. Previously, only Federal managers and leaders were able to access [UnlockTalent.gov](http://UnlockTalent.gov).

During the reporting period, OPM issued several guides aimed at enhancing fairness in the federal workplace and promoting families and work-life programs.

- In partnership with U.S. Equal Employment Opportunity Commission, the U.S. Office of Special Counsel, and the U.S. Merit Systems Protection Board, OPM released the guide: “Addressing Sexual Orientation and Gender Identity Discrimination in Federal Civilian Employment: A Guide to Employment Rights, Protections, and Responsibilities.” This guide details the rights and processes available to applicants and employees who allege sexual orientation or gender identity discrimination in the workplace.
- On January 15, 2015, the President signed a memorandum entitled, “Modernizing Federal Leave Policies for Childbirth, Adoption, and Foster Care to Recruit and Retain Talent and Improve Productivity.” This memorandum was designed to help strengthen families and provide flexibilities to help Federal employees balance the needs of their life at work and at home. It directed agencies to advance Federal workers up to six weeks paid sick leave to care for a new child or ill family member. On April 16, 2015, OPM contributed to this effort by issuing a handbook on Leave for Pregnancy, Childbirth, Adoption, and Foster Care.
- In response to the President’s memorandum, of June 23, 2014, entitled: “Enhancing Workplace Flexibilities and Work-Life Programs,” OPM issued the Handbook on Workplace Flexibilities and Work-Life Programs for Elder Care on July 13, 2015. This handbook provides guidance on the various leave and work schedule flexibilities for eldercare, and also provides information on work life programs available to employees providing care for an elderly family member, including examples of how the programs can work together to help employees better manage family and work responsibilities.

### *Office of Procurement Operations*

OPM also strengthened our contracting operations during the reporting period. In September 2015, we officially created the Office of Procurement Operations as a stand-alone organization elevating the procurement function within OPM to ensure heightened visibility and attention to this critical work. Some of the improvements that we made include the development of new draft policies and guidance designed to promote greater oversight of procurement processes and deliverables, and to increase quality and compliance. For instance, we now have a Contract Review Board policy designed to review key business decisions at critical phases of complex acquisitions. Also, we updated and strengthened IT security provisions, which are now pending final approval. In addition, we initiated a training and certification assessment of all acquisition

professionals in OPM, including updating warrants for Contracting Officers. OPM also leveraged partnerships with General Services Administration to support Category Management and Strategic Sourcing efforts for Human Capital and Training.

### *Healthcare & Insurance*

In September 2015, OPM published the final rule for the new Self Plus One enrollment option in the Federal Employees Health Benefits (FEHB) Program. Established under the Bipartisan Budget Act of 2013, the Self Plus One enrollment category allows an individual FEHB participant to cover himself or herself plus one eligible family member. This new option is available during the 2015 Open Season and will be effective January 2016.

In addition, the Affordable Care Act added Section 6055 to the Internal Revenue Code (IRC), which requires carriers to file an information return with the Internal Revenue Service (IRS) on each enrollee and furnish a statement to these individuals. OPM has been working closely with a carrier work group to develop and implement solutions so carriers have the required data to fulfill IRC Section 6055 reporting requirements for the 2015 plan year. To that end, OPM is creating such tools as a crosswalk and a data transfer mechanism and is exploring additional solutions needed to fulfill the 6055 reporting requirements.

### *Retirement Services*

We remain committed to the accurate and timely processing of retirement claims. Because of the hard work of our employees, we made significant improvements to our retirement processing efforts over the past six months. At the end of September 2015, OPM reduced the inventory to 14,706, a reduction of almost 6,000 claims from the 20,594 inventory of March 2015. The overall average processing time for retirement claims was 56.2 days, with an average of 42.3 days for claims under 60 days and 88.6 days for claims older than 60 days. With 70 percent of claims processed in 60 days or less, OPM will continue to make efforts to meet our goal of adjudicating 90 percent of pending claims within 60 days.

Additionally, OPM continues to improve workload management and customer service. One key workload metric, Survivor Lump Sum Claims, was reduced to 5,673 claims by September 30, 2015. This is a 35 percent decrease from the 8,712 claims at the end of March 2015. Also, our efforts to enhance the use of Services Online have been successful. During fiscal year 2015, the number of customers who went to Services Online to manage their benefits increased by 26 percent.

## *OPM Strategic Information Technology Plan*

OPM is strengthening its information technology (IT) environment. For instance, the Infrastructure as a Service (IaaS) project is a multi-phased effort focused on improving the security of OPM's current infrastructure for the immediate term. This will allow a brand new, more secure, more modern IT infrastructure to be built and implemented and become the site where all OPM applications will be housed.

The project was developed and divided into 4 key phases--Tactical, Shell, Migration, and Clean up. Each phase has a specific purpose with actions that addressed DHS and Federal partner recommendations or the IT security best practice of prevent, detect, contain, and eradicate.

With this four- phase plan OPM has established Initial Operating Capability (IOC) on September 28th of 2015. The establishment of OPM IaaS Full Operational Capability (FOC) is planned for the late winter of 2015/2016. Full Operating Capacity will be achieved after OPM completes the integration of the DHS Continuous Diagnostics and Mitigation (CDM) capabilities and the procurement of other security capabilities necessary to maintain the robust security posture of the new environment.

Currently, in IOC, the Development and Test environments are configured and hosting OPM's Enterprise Case Management System (ECMS). We are running tests and proofs of concept prior to migration into the new environment. When FOC is established, the complete environment will be available and open for migration of OPM's Application Portfolio into the robust new environment.

The first product to be migrated to and reside in this new environment is OPM's ECMS. Through competitive procurement, ECMS was awarded in August 2015. This project will provide an OPM-wide case management capability based on requirements identified through an extensive process that included a Request for Information, vendor demonstrations, and the establishment of OPM-wide requirements. Currently, the product is being validated and demonstrations of the capabilities are being shown to the OPM business units for the identification and prioritization of requirements to migrate to the enterprise platform.

## *Federal Investigative Services*

OPM continues to enhance policy, procedures and processes used for the hiring and training of individuals who meet suitability and security standards. During the reporting period, we conducted extensive preparations for the FY 16 launch of the next tier of Federal Investigative Standards in accordance with the phased Executive Branch implementation plan, supporting hiring and security clearances for civilian employees,



military personnel, and contractors. This next tier, Tier 3, promotes reciprocity by establishing a single investigative solution at this level that aligns suitability and security requirements and includes new criteria to better inform decision-makers about the conduct of individuals being considered for sensitive positions of trust. We implemented the National Training Standards for background investigators and suitability adjudicators on schedule with the government-wide implementation plan. Also, we created and delivered advanced subject interview training for our background investigators that went above and beyond the standard training requirements to further enhance the quality of investigations.

In June, OPM and the Office of the Director of National Intelligence (ODNI) jointly published a rule that provides detailed, clarifying guidance to agencies regarding the appropriate designation of national security positions. This rule provides increased protections by helping agencies determine when investigations are needed for individuals who, due to the nature and duties of their position, could put our national security at risk even if they do not have access to classified information. And, in July, together with the other principals of the Performance Accountability Council (PAC), we developed and issued a joint Strategic Intent, which sets overarching strategic direction for security, suitability, and credentialing activities.

The cyber breach and our subsequent comprehensive review of our IT systems had significant implications for Federal Investigative Services. In our review of core operations, we took e-QIP offline for security enhancements. During this time, along with the ODNI, we developed and issued joint Suitability and Security Executive Agent guidance so that agencies could continue to initiate investigations using an alternative process until e-QIP could be restored. We brought the system back online in less than four weeks after extensive testing and consultation with key stakeholders, and we worked closely with agencies to resume service in an efficient and orderly way.

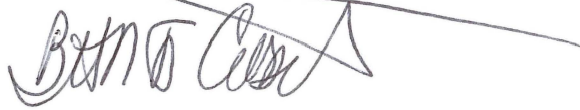
Later in July, driven in large part by the cyber breach, we also requested a PAC review of information security, governance, policy, and other aspects of the security and suitability determination process to ensure they are conducted in an efficient, effective, and secure manner, for which we then provided subject matter expertise to support the review.

## **Conclusion**

Strengthening IT infrastructure and IT security is a priority for OPM. Our commitment to overcoming the unique challenges of cybersecurity is unwavering. As OPM continues to make progress on our mission to be a model of employee engagement, diversity and inclusion, workforce development, and a provider of world-class customer service, this OIG report provides us with recommendations on how we can improve and strengthen

our programs and processes. I sincerely thank the Inspector General and the OIG staff for continuing to provide an independent review of OPM's activities and for helping us better serve the American people.

Sincerely,

A handwritten signature in black ink, appearing to read "Beth F. Cobert", with a long horizontal line extending to the right from the end of the signature.

Beth F. Cobert  
Acting Director

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Office of Personnel Management (OPM) Agency Response to the Office of  
the Inspector General’s Semiannual Report to Congress

November 2015

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## Introduction

OPM prioritizes completing corrective actions to resolve open audit issues. The Internal Oversight and Compliance office in Merit System Accountability and Compliance (MSAC), Healthcare and Insurance's (HI) Contracting Offices and Audit Resolution (AR) branch, are charged with managing OPM's audit tracking and recommendation closure processes to ensure timely action. We have found that strong partnerships among MSAC, OIG, HI, OPM program offices, insurance carriers, and other stakeholders are key to addressing identified operational weaknesses and improving the performance of OPM programs.

With respect to the types of audits highlighted in the OIG's Semiannual Report for this period, we have taken substantive corrective actions that address the concerns noted. The following sections describe our status to date and some of the challenges we face.

## Health Insurance Carrier Audits

The OIG conducts audits of Federal Employees Health Benefit (FEHB) Program insurance carriers to ensure they are meeting their contractual obligations to OPM. Monetary and non-monetary findings may result from these types of audits. The goal is to ensure FEHB Program carriers have strong internal controls in place. Our contracting officers provide effective oversight and administration of the FEHB Program.

OPM is strongly committed to its stewardship and administration of the FEHB Program and other programs. This includes resolving audit findings via recovery of funds, strengthening internal controls, and ensuring health carriers have appropriate systems in place to safely and securely handle FEHB and other data.

During this reporting period, we continued our emphasis on recovering disallowed costs and overpayments and closing audit recommendations, including those that were generated prior to this reporting period. OPM's Healthcare and Insurance results<sup>1</sup> are as follows:

- Closed 21 final audit reports
- Closed 38 monetary recommendations
- Closed 100 non-monetary recommendations
- Recovered \$7.4 million and allowed \$3.6 million<sup>2</sup> in disallowed costs

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<sup>1</sup> Results include health insurance carrier, insurance carrier information system, and special audits.

<sup>2</sup> The majority of this figure represents amounts questioned by the OIG, but subsequently found to be contractually allowable charges.

We were able to address numerous non-monetary findings by working with carriers to ensure robust work plans were in place to address certain recommendations related to carriers' Fraud, Waste, and Abuse Programs and information systems. We have also been increasing our general use of work plans, which are used to outline key steps required to fully implement procedural recommendations. When a work plan contains sufficient detail and the carrier has met key milestones, we may close the recommendation subject to monitoring. We then monitor the carrier's progress until the recommendation has been fully implemented.

## **Information Systems Audits**

The OIG exercises independent oversight of OPM's information technology and security program. This includes annual audits of major IT systems to ensure sufficient controls are in place to protect system operations and the privacy of individuals, as well as to ensure that systems operate as intended. There are two types of information systems that are audited by the OIG – those systems supporting internal OPM operations and those supporting insurance carriers.

### *Internal Information Systems Audits*

In this reporting cycle, the OIG reviewed three of OPM's web-based information technology applications: the Multi-State Plan Program (MSPP) Portal, the Annuitant Health Benefits Open Season System (AHBOSS), and the GP Plateau Baseline 6 Learning Management System Portal (GPB6 LMS) for compliance with the Federal Information Security Management Act (FISMA) and specific information system security controls identified in the National Institute of Standards and Technology's (NIST) Special Publication 800-53 Revision 4.

The MSPP Portal is an essential tool for OPM's National Healthcare Operations (NHO) office to accomplish its mission of certifying Multi-State Plan Issuers in the MSPP. The OIG found that the system is compliant with FISMA requirements. Nevertheless, OIG recommended process improvements for managing the MSPP Portal plan of action and milestones as well as processes to detect and remediate security vulnerabilities in a timely manner. In response, NHO is actively working with the web hosting vendor to resolve the specific vulnerabilities.

Moreover, AHBOSS is a system that is owned by OPM's Retirement Services program and enables Federal annuitants to request information and make changes to health benefits coverage during open season. The OIG's review found that AHBOSS is generally compliant with FISMA and NIST controls. However, OIG identified areas for improvement. OPM is working to address the OIG's recommendations by requiring the

contractor to implement continuous monitoring, multi-factor authentication, encryption of sensitive data at rest, and enhanced physical security controls.

Finally, the GPB6 LMS is an employee training platform managed by OPM's Human Resources Solutions (HRS). The OIG noted that the system was compliant with FISMA standards. A primary issue the OIG found was that the GPB6 LMS did not have authorization to operate in OPM's technical environment. Also, while the review found that the tested security controls were in compliance, the OIG made recommendations on various areas for improvement.

By the end of the reporting period, HRS was completing a corrective action plan that included obtaining an approved authorization to operate, updating the plan of action and milestone process, and implementing additional procedures and technical controls. Shortly after the reporting period ended, HRS provided evidence to the OIG showing that the GPB6 LMS has an approved authority to operate. The OIG concurred with HRS and closed the recommendation.

In addition, the OIG issued a Flash Audit Alert to highlight concerns pertaining to the Office of the Chief Information Officer's (OCIO) Infrastructure Improvement Project. Specifically, OIG expressed concerns related to the OCIO's compliance with Office of Management and Budget's requirements and project management best practices, and use of the procurement medium for this project. OCIO recognizes the complexity of this initiative and has developed a corrective action plan to address the OIG's recommendations. The plan includes tasks to assess the scope and cost of the migration phase, and assess the most cost-effective approach for supporting the migration and cleanup phases. We are also pleased to report that OPM submitted the Major IT Business Case for this project to OMB as part of the FY 2017 budget process. Furthermore, to ensure OIG has current information on the status of this project, as well as provide a forum for the timely discussion of issues as they arise including procurement-related issues, we have begun weekly, biweekly and monthly meetings between OPM senior staff and OIG. In addition to increased transparency, we expect this collaboration will keep the Infrastructure Improvement Project on track and moving forward efficiently.

### *Insurance Carrier Information Systems Audits*

During the reporting period the OIG issued four Insurance Carrier Information Systems audit reports. The primary objectives of the audits were to evaluate controls over the confidentiality, integrity, and availability of FEHBP data processed and maintained in the carrier's information technology environment. All four audits included recommendations to implement or enhance system and process controls. We are closely monitoring the

resolution of these audits and are working to ensure the control weaknesses are appropriately mitigated.

## **Internal Audits**

The OIG conducts internal audits to improve the efficiency and effectiveness of OPM operations and to identify weaknesses, risks, and vulnerabilities associated with our internal controls.

A performance audit of OPM's Retirement Services' (RS) Retirement Eligibility and Services (RES) office found that OPM needs to strengthen controls over its survey and matching processes used to confirm eligibility for benefits. OIG's audit found that RS made improper payments and identified areas for improvement. OPM is improving controls, updating policies, and collecting an improper payment to address OIG's recommendations.

The Improper Payments Elimination and Recovery Act (IPERA) of 2010 amended the Improper Payments Information Act (IPIA) of 2002 by enhancing Federal agency reporting requirements, modifying the definition of significant improper payments, and calling on agency Inspectors General to annually review their agency's improper payments reporting for compliance. Accordingly, the OIG reviewed OPM's FY 2014 improper payments reporting for the Retirement Services and Healthcare and Insurance programs and found that OPM was in compliance with IPERA. Nonetheless, OIG made recommendations to improve internal controls over improper payments reporting. OPM has a corrective action plan in place to address the OIG's recommendations.

Also, the OIG reviewed Human Resources Solutions' (HRS) pricing methodologies. The assessment found that HRS needs to strengthen its controls to more accurately recover costs for its products and services. HRS has developed and is pursuing a corrective action plan including the development of policies, procedures and internal controls to address the OIG's recommendations.

## **Special Audits**

The OIG conducts special audits of other OPM-managed Federal employee benefit programs, including tribal enrollments in the FEHB Program, as well as audits of the Combined Federal Campaign (CFC).

In Healthcare and Insurance, special audits may be conducted on the operations or administrative oversight of the Federal Employees' Group Life Insurance (FEGLI), Federal Long Term Care Insurance Program (FLTCIP), Federal Employees Dental and

Vision Insurance Program (FEDVIP), Flexible Spending Accounts for Federal Employees (FSAFEDS) programs, and tribal enrollments in the FEHBP.

During the reporting period, the OIG issued one Healthcare and Insurance special audit report, MetLife Dental. The audit included recommendations to strengthen controls and procedures related to performance guarantees, administrative expenses, and claims processing. The audit did not identify any unallowable charges. All procedural recommendations have been resolved and the audit is now closed.

### **Enforcement Activities**

The OIG conducts criminal investigations to examine potential fraud against OPM's benefit programs. The OIG also investigates OPM employee and contractor misconduct, including fraud within the personnel security and suitability program administered by OPM.

The OIG highlights instances of fraud in OPM's benefit and Revolving Fund programs. OPM does not tolerate fraud. We work hard to prevent fraud through a robust integrity assurance program, multiple levels of review, and workforce education and training. We work hand-in-hand with the OIG to ensure allegations of employee misconduct and contractor fraud are prosecuted to the fullest extent of the law.



Table 1A

**Reports with Disallowed Costs for Insurance Programs<sup>3</sup>**  
**April 1, 2015 to September 30, 2015**

<b>Subject</b>	<b>Number of Audit Reports</b>	<b>Disallowed Costs (in thousands)</b>	<b>Recoveries or Adjustments (in thousands)</b>
Reports for which final action not taken by beginning of reporting period	21	\$11,679	
Reports on which management decisions made during the period	12	\$53,817	
Reports for which final action taken during period:	20	\$10,993	
1. Recoveries and Adjustments			\$10,993
a. Collections and offsets			\$7,400
b. Property			\$0
c. Other (adjustments)			\$3,593
2. Write-offs			
Reports pending final action at end of period	13	\$54,503	

<sup>3</sup> This table reflects activity across audit reports with financial recommendations only.

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Table 1B

**Reports with Disallowed Costs for All Other Audit Entities  
April 1, 2015 to September 30, 2015**

<b>Subject</b>	<b>Number of Audit Reports</b>	<b>Disallowed Costs</b>
Reports for which final action not taken by beginning of reporting period	5	\$2,034,259
Reports on which management decisions made during the period	1	\$57,133
Reports for which final action taken during period:	1	\$194
1. Recoveries and adjustments		\$194
2. Write-offs (allowed questioned costs)		0
Reports pending final action at end of period	5	\$2,091,198

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Table 2

**Action Taken on Audits with Recommendations for Better Use of Funds  
April 1, 2015 to September 30, 2015**

<b>Subject</b>	<b>Number of Audit Reports</b>	<b>Better Use of Funds (in thousands)</b>
No activity during this reporting period.		

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Table 3

**Reports without Monetary Findings  
April 1, 2015 to September 30, 2015**

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<b>Subject</b>	<b>Number of Reports</b>
Reports for which final action not taken by beginning of reporting period	40
Reports for which final action taken during period:	3
a. Health Insurance Carrier Audits	0
b. Internal Information Systems Audits	2
c. Internal Audits	0
d. Healthcare & Insurance Special Audits	1
e. CFC Special Audits	0
Reports without monetary findings issued by OIG during period	13
Reports without monetary findings pending final action at end of period	50

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Table 4

## Summary of Reports More than 6 Months Old Pending Final Action as of September 30, 2015

Report Number	Subject	Date Issued	Disallowed Costs	Receivable	Status
4A-CF-00-05-028	Administration of the Prompt Payment Act at OPM	April 16, 2007			11 of 12 total recommendations are closed. OPM provided OIG with closure evidence and is awaiting OIG's determination for the last recommendation.
4A-CI-00-08-022	Federal Information Security Management Act for Fiscal Year 2008	September 23, 2008			17 of 19 total recommendations are closed. To resolve the remaining recommendations CIO is improving alignment and communications with program office IT system owners.
4A-CF-00-08-025	OPM's Fiscal Year 2008 Consolidated Financial Statement	November 14, 2008			5 of 6 total recommendations are closed. OPM is preparing evidence for closure of the last recommendation.
4A-CI-00-09-031	Federal Information Security Management Act for Fiscal Year 2009	November 5, 2009			28 of 30 total recommendations are closed. To resolve the remaining recommendations CIO is improving alignment and communications with program office IT system owners.
4A-CF-00-09-037	OPM's Fiscal Year 2009 Consolidated Financial Statement	November 13, 2009			4 of 5 total recommendations are closed. OPM is preparing evidence for closure of the last recommendation.
4A-IS-00-09-060	Quality Assurance Process Over Background Investigations	June 22, 2010			17 of 18 total recommendations are closed. OPM is currently reviewing oversight practices to determine if there is sufficient evidence to submit material to the OIG for closure review of the last recommendation.
4A-CF-00-10-015	OPM's Fiscal Year 2010 Consolidated Financial Statement	November 10, 2010			4 of 7 total recommendations are closed. OPM is preparing evidence for closure of the remaining recommendations.
4A-CI-00-10-019	Federal Information Security Management Act for FY 2010	November 10, 2010			39 of 41 total recommendations are closed. To resolve the remaining recommendations CIO is improving alignment and communications with program office IT system owners.
1K-RS-00-11-068	Stopping Improper Payments to Deceased Annuitants	September 14, 2011			11 of 14 total recommendations are closed. OPM has implemented several corrective actions and is working to close the remaining recommendations.

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4A-CI-00-11-009	Federal Information Security Management Act for Fiscal Year 2011	November 9, 2011			25 of 29 total recommendations are closed. To resolve the remaining recommendations CIO is improving alignment and communications with program office IT system owners. OPM COO has been appointed as Risk Executive and is establishing new practices.
4A-CF-00-11-050	OPM's Fiscal Year 2011 Consolidated Financial Statement	November 14, 2011			6 of 7 total recommendations are closed. OPM is preparing evidence for closure of the last recommendation.
4A-CF-00-09-014	OPM's Interagency Agreement Process	March 28, 2012			6 of 8 total recommendations are closed. OPM completed the justification report to show the tracking of agreements and other data for all Interagency Agreements.
4A-OP-00-12-013	Information Technology Security Controls of OPM's Audit Report and Receivables Tracking System	July 16, 2012			12 of 24 total recommendations are closed. To close the remaining recommendations, OPM is conducting User Acceptance Testing and implementing requirements for re-classifying ARRTS as a moderate FIPS 199 system.
4A-CF-00-11-067	Administration of the Prompt Payment Act at OPM	September 13, 2012			6 of 12 total recommendations are closed. OPM provided closure evidence for three recommendations and is working to resolve the remaining recommendations.
4A-CI-00-12-016	Federal Information Security Management Act for FY 2012	November 5, 2012			12 of 18 total recommendations are closed. To resolve the remaining recommendations CIO is improving alignment and communications with program office IT system owners. OPM COO has been appointed as Risk Executive and is establishing new practices.
4A-CF-00-12-039	OPM's Fiscal Year 2012 Consolidated Financial Statement	November 15, 2012			2 of 3 total recommendations are closed. OPM is preparing evidence for closure of the last recommendation.
1K-RS-00-12-031	OPM's Voice over the Internet Protocol Phone System Interagency Agreement	December 12, 2012			1 of 2 total recommendations is closed. OPM is evaluating the implementation of the new process to close the final recommendations.
1A-99-00-12-029	Global Coordination of Benefits for BlueCross and BlueShield Plans	March 20, 2013	\$4,690,639	\$0	6 of 7 total recommendations are closed. OPM has recovered or allowed all questioned funds. OPM continues to work with the carrier to implement corrective actions to resolve the open recommendation.

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4A-CF-00-12-066	Assessing the Relevance and Reliability of the U.S. Office of Personnel Management's Performance Information	April 1, 2013			4 of 5 total recommendations are closed. OPM provided closure evidence and is awaiting OIG's determination.
1A-10-32-12-062	BlueCross BlueShield of Michigan	July 19, 2013	\$250,961	\$0	10 of 11 total recommendations are closed. All questioned funds have been recovered. OPM is working with the carrier to implement corrective actions.
4A-CI-00-13-036	U.S. Office of Personnel Management's Common Security Control Collection	October 10, 2013			3 of 4 total recommendations are closed. The remaining recommendation is pending OIG closure review.
1H-01-00-12-072	BlueCross and BlueShield's Retail Pharmacy Member Eligibility in 2006, 2007, and 2011	November 8, 2013	\$2,305,973	\$2,276,732	1 of 11 total recommendations is closed. OPM is working to resolve several unique issues raised in this audit.
4A-CI-00-13-021	Federal Information Security Management Act for FY 2013	November 21, 2013			9 of 16 total recommendations are closed. To resolve the remaining recommendations CIO is improving alignment and communications with program office IT system owners. OPM COO has been appointed as Risk Executive and is establishing new practices.
1A-99-00-13-032	Global Coordination of Benefits for BlueCross and BlueShield Plans	November 22, 2013	\$7,797,641	\$0	6 of 7 recommendations are closed. OPM has recovered or allowed all questioned funds. OPM is working with the carrier to implement corrective actions.
4A-CF-00-13-034	OPM's Fiscal Year 2013 Consolidated Financial Statement	December 13, 2013			0 of 1 total recommendation are closed. OPM is preparing evidence for closure of the open recommendation.
1A-10-17-13-026	Information Systems General and Application Controls at Health Care Service Corporation	January 28, 2014			10 of 12 total recommendations are closed. OPM is implementing corrective actions to address information system control weaknesses.

<b>Report Number</b>	<b>Subject</b>	<b>Date Issued</b>	<b>Disallowed Costs</b>	<b>Receivable</b>	<b>Status</b>
4A-CF-00-14-009	The U.S. Office of Personnel Management's Fiscal Year 2013 Improper Payments Reporting for Compliance with the Improper Payments Elimination and Recovery Act of 2010	April 10, 2014			0 of 1 total recommendation are closed. OPM provided closure evidence which will be reviewed in the Fiscal Year 2015 IPERA audit.
1A-99-00-13-046	Global Non-Covered Ambulance Claims for BlueCross and BlueShield Plans	April 17, 2014	\$1,423,823	\$897,784	3 of 4 recommendations are closed. To close the remaining financial recommendation, OPM is recovering remaining disallowed costs and evaluating claims contested by the carrier.
1B-32-00-13-037	Information Systems General and Application Controls at the National Association of Letter Carriers Health Benefit Plan	May 6, 2014			31 of 41 recommendations are closed. Efforts continue to mitigate information system control weaknesses through appropriate corrective actions.
4A-IS-00-13-062	The Federal Investigative Services' Case Review Process over Background Investigations	June 4, 2014			0 of 6 total recommendations are closed. OPM is reviewing completed contract modifications and current oversight practices that address weaknesses noted in the audit in order to prepare evidence to submit to the OIG for closure review.
1A-10-15-13-058	BlueCross BlueShield of Tennessee	June 6, 2014	\$3,622,914	\$918,771	11 of 16 recommendations are closed. OPM is evaluating claims contested by the carrier and implementing corrective actions to strengthen internal controls.
4A-CI-00-14-015	Information Technology Security Controls of the U.S. Office of Personnel Management's Development Test Production General Support System Fiscal Year 2014	June 6, 2014			0 of 6 total recommendations are closed. SAA has been deferred. DTP is going to be decommissioned when the OPM IaaS Development environment implementation is complete.

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1A-10-67-14-006	Information Systems General and Application Controls at Blue Shield of California	July 9, 2014			14 of 16 recommendations are closed. OPM is working to address information system control weaknesses through appropriate corrective actions.
4A-CI-00-14-028	Status of Cloud Computing Environments within the U.S. Office of Personnel Management	July 9, 2014			0 of 3 total recommendations are closed. OPM has made progress in addressing the weaknesses and is working to incorporate FEDRAMP requirements
3A-CF-00-13-051	The 2005 through 2012 Combined Federal Campaigns as Administered by the Metropolitan Arts Partnership	July 10, 2014			OPM resolved the identified weaknesses and the audit closed in August.
1A-99-00-13-061	Global Duplicate Claim Payments for BlueCross and BlueShield Plans	August 19, 2014	\$7,878,473	\$1,297,010	3 of 6 recommendations are closed. OPM is evaluating claims contested by the carrier and implementing corrective actions to strengthen internal controls.
4A-RI-00-14-036	Information Technology Security Controls of the U.S. Office of Personnel Management's BENEFEDS and Federal Long Term Care Insurance Program Information Systems Fiscal Year 2014	August 19, 2014			6 of 10 recommendations are closed. OPM has initiated corrective actions and is working with stakeholders to close remaining recommendations.
4A-CF-00-14-039	OPM's Fiscal Year 2014 Consolidated Financial Statement	November 10, 2014			0 of 4 total recommendations are closed. OPM is preparing evidence for closure of the open recommendations.
4A-CI-00-14-016	Federal Information Security Management Act for FY 2014	November 12, 2014			8 of 29 total recommendations are closed. OPM has implemented a corrective action plan and is monitoring progress.
1A-10-70-14-007	Information Systems General and Application Controls at Premera	November 28, 2014			8 of 10 recommendations are closed. OPM is working to address information system control weaknesses through appropriate corrective actions.



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	Blue Cross				
3A-CF-00-14-050	The 2011 and 2012 Chesapeake Bay Area Combined Federal Campaigns of Central Maryland	December 23, 2014			0 of 24 total recommendations are closed. OPM is monitoring corrective actions.
4A-CI-00-14-064	Information Technology Security Controls of the U.S. Office of Personnel Management's Dashboard Management Reporting System	January 14, 2015			1 of 4 total recommendations is closed. OPM has implemented technical solutions and proposed policy updates to address the open recommendations. Submission of evidence to the OIG for closure review is pending final internal coordination and approval.
1A-10-49-14-021	Information Systems General and Application Controls at Horizon Blue Cross Blue Shield	February 11, 2015			9 of 15 recommendations are closed. OPM is working to address information system control weaknesses through appropriate corrective actions.
3A-CF-00-14-049	The 2011 and 2012 Long Island Combined Federal Campaigns	February 11, 2015			2 of 18 total recommendations are closed. OPM is monitoring corrective actions.
1C-U4-00-14-038	The Health Plan of the Upper Ohio Valley, Inc.	February 20, 2015	\$2,144,107	\$1,102,882	3 of 5 recommendations are closed. OPM is working closely with the carrier and stakeholders to recover questioned costs and implement corrective actions to strengthen internal controls and close the remaining recommendations.
3A-CF-00-14-048	The 2011 and 2012 Northern Lights Combined Federal Campaigns	March 23, 2015			0 of 29 total recommendations are closed. OPM is monitoring corrective actions.
4K-RS-00-14-076	The Review of the U.S. Office of Personnel Management's Compliance with the Freedom of Information Act	March 23, 2015			1 of 3 total recommendations is closed. OPM has implemented corrective actions and is monitoring progress.

Table 5

## Status of Audits Issued during Reporting Period Highlighted in the Office of the Inspector General's Semiannual Report

Report Number	Subject	Date Issued	Disallowed Costs	Receivable	Status
4A-RS-00-13-033	Controls over Retirement Eligibility and Services	April 13, 2015			0 of 7 total recommendations are closed. OPM is improving controls, updating policies, and collecting an improper payment to resolve the remaining recommendations.
4A-RI-00-15-013	Information Technology Security Controls for OPM's Multi-State Plan Program Portal	May 11, 2015			1 of 4 total recommendations is closed. OPM is actively working with web hosting vendor to resolve the specific vulnerabilities.
4A-CF-00-15-025	FY2014 Improper Payments Reporting	May 15, 2015			0 of 4 total recommendations are closed. OPM is taking corrective actions to address the weaknesses. This will be reviewed as part of the FY 2015 IPERA review.
1C-54-00-14-061	Information System General and Application Controls at Group Health Cooperative and KPS Health Plans Tukwila, Washington	May 18, 2015			0 of 18 recommendations are closed. OPM continues to work with the carrier to implement corrective actions.
4A-HR-00-13-055	Human Resources Solutions' Pricing Methodologies	June 2, 2015			0 of 6 total recommendations are closed. OPM is taking corrective actions, including the development of policies, procedures and internal controls to address the recommendations.
1J-0F-00-14-075	MetLife Federal Dental Plan As Administered by Metropolitan Life Insurance Company For Contract Years 2009 through 2013	June 2, 2015			OPM resolved all recommendations. This audit closed on June 12, 2015.

<b>Report Number</b>	<b>Subject</b>	<b>Date Issued</b>	<b>Disallowed Costs</b>	<b>Receivable</b>	<b>Status</b>
4A-CI-00-15-055	Flash Audit Alert – OPM’s Infrastructure Improvement Project	June 17, 2015			0 of 2 total recommendations are closed. OPM is evaluating the implementation of the recommendations for future phases of the procurement.
1A-10-49-14-057	Horizon BlueCross BlueShield of New Jersey	June 18, 2015	\$375,650	\$0	OPM recovered all questioned costs and resolved all recommendations. This audit closed on September 28, 2015.
1A-10-33-14-062	Information System General and Application Controls at BlueCross BlueShield of North Carolina	June 18, 2015			2 of 8 recommendations are closed. OPM continues to work with the carrier to implement corrective actions.
1D-2G-00-14-054	CareFirst BlueChoice Owings Mills, Maryland	June 19, 2015			No material weaknesses were reported. The audit is closed.
4A-RI-00-15-019	Information Technology Security Controls for OPM’s Annuitant Health Benefits Open Season System	July 29, 2015			6 of 7 total recommendations are closed. OPM is requiring the contractor to implement continuous monitoring, two-factor authentication, encryption of sensitive data, additional automation, and enhanced physical security controls, to close the remaining recommendations.
1A-99-00-14-046	Audit of Global Coordination of Benefits for BlueCross and BlueShield Plans	July 29, 2015	\$2,947,816	\$1,030,970	3 of 5 recommendations are closed. OPM continues to recover disallowed costs, evaluate claims contested by the carrier, and implement corrective actions.
4A-HR-00-15-015	Information Technology Security Controls of the U.S. OPM’s GP Plateau Baseline 6 Learning Management System	July 31, 2015			0 of 12 total recommendations are closed. OPM is developing a corrective action plan including milestones, timelines, and expected evidence to address the recommendations.
1H-01-00-14-067	BlueCross and BlueShield Association’s Pharmacy Operations As Administered by	August 12, 2015	\$5,915	\$0	OPM recovered all questioned costs and resolved all recommendations. This audit closed on September 30, 2015.

<b>Report Number</b>	<b>Subject</b>	<b>Date Issued</b>	<b>Disallowed Costs</b>	<b>Receivable</b>	<b>Status</b>
	Caremark PCS Health LLC For Contract Years 2012 and 2013				
1C-51-00-14-066	Health Insurance Plan of Greater New York	August 31, 2015	\$17,191,178	\$17,191,178	0 of 3 recommendations are closed. OPM is working to recover questioned costs and implement corrective actions.
1C-22-00-14-071	Aetna HealthFund Blue Bell, Pennsylvania	August 31, 2015	\$20,016,333	\$20,016,333	0 of 2 recommendations are closed. OPM's Healthcare and Insurance is working closely with the carrier and OPM stakeholders to recover questioned costs and to work with the carrier to implement corrective actions.
1A-10-92-14-055	CareFirst BlueCross BlueShield's FEP Operations Center Costs	September 11, 2015	\$2,795,412	\$274,716	2 of 3 recommendations are closed. OPM continues to work with the carrier to implement corrective actions and close the remaining recommendation.



**U.S. Office of Personnel Management**

**Merit System Accountability and Compliance**

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