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Open Recommendations

Brief

THE BRIEF SUMMARIZES OPM OIG RECOMMENDATIONS THAT HAVE BEEN OPEN FOR MORE THAN SIX MONTHS AS OF MARCH 31, 2024.

Inspector General Message

OPM continues to make progress implementing corrective actions related to open recommendations. Since the last semiannual reporting period, 196 recommendations have been closed. There have been 148 new recommendations communicated to OPM during the same period. There has been a 20 percent decline in open recommendations. This is a significant accomplishment and clearly demonstrates that OPM leadership has prioritized addressing recommendations made in audits and evaluations.

We continue to observe, however, that OPM's audit resolution process could be improved. Under guidance issued by the Office of Management and Budget, recommendations are considered resolved when the audit organization and management officials agree on a corrective action plan to strengthen underlying internal control weaknesses. This is supposed to happen within six months of the date of the final audit report. As shown in the chart below, more than 80 percent of current open recommendations are still unresolved more than six months after being issued. This effectively means that not only are the recommendations still open, but there is also no plan to even begin correcting the underlying control weaknesses.

The Office of the Inspector General is working closely with Acting Director Robert H. Shriver and his team on this issue. I appreciate his engagement and attention to addressing open recommendations and expect continued progress from OPM in the future.

Priority Recommendations

Priority open recommendations warrant priority attention from OPM leadership because their implementation could significantly improve program management and payment integrity. All three of our current priority recommendations are focused on strengthening the Federal Employees Health Benefits Program (FEHBP) to reduce costs and provide better services to Federal employees and their families.

1. FEHBP Medical Loss Ratio (MLR) Requirements

In August of 2022, we issued a report on an audit of Kaiser Foundation Health Plan, audit report #1C-59-00-20-043, including a recommendation that OPM revise or replace the FEHBP MLR requirements to provide a reliable measure of the premium dollars spent on the FEHBP program, including the impact of carrier corporate structure and the current community-rated product market. This audit report included 16 recommendations, including this one, which was the only recommendation issued directly to OPM, rather than to the health insurance carrier. Of the 16 recommendations, this is the only one that remains open. Addressing this recommendation would improve transparency and accuracy in the FEHBP MLR calculation, reducing the risk of inaccurate penalty payments or credit adjustments.

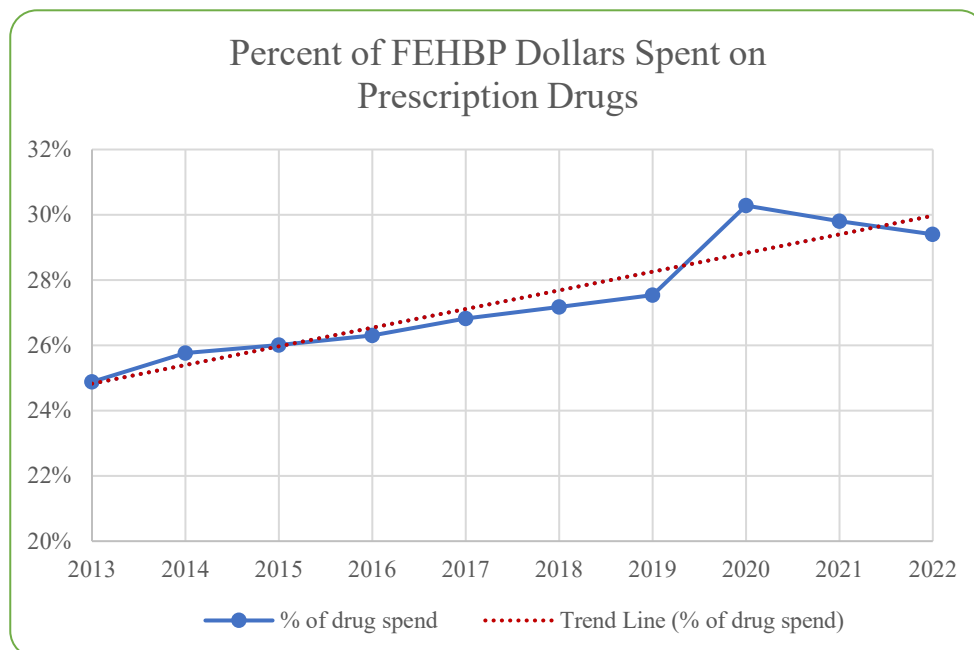
We recently initiated a project to research the complexities of the community-rated product market, including a detailed analysis of OPM's implementation of the FEHBP MLR regulations. The research objective is to gather detailed information on OPM's program goals, processes, and oversight of the FEHBP MLR procedures for community-rated carriers with the intention of helping the agency improve the current program.

2. Proactive Identification of Overpayments and Defining Egregious Errors

In April of 2021, we recommended that OPM modify Section 2.3(g) and 2.3(g)(ii) of the contracts between OPM and FEHBP experience-rated insurance carriers (carriers) to provide expectations for how FEHBP carriers are to proactively identify overpayments and to define what it means by egregious errors. This recommendation was issued in a Management Advisory Report (Report No. 4A-HI-00-18-026) that examined FEHBP contractual vulnerabilities that introduce integrity risks. This recommendation in particular addresses contract language that limits the agency's ability to recover improper payments. The report included 11 recommendations which remain open nearly three years later.

3. Lowering Prescription Drug Costs in the FEHBP

In March 2020, we issued a Management Advisory Report (Report No. 1H-01-00-18-039) in which we recommended that OPM conduct a new, comprehensive study by seeking independent expert consultation on ways to lower prescription drug costs in the FEHBP. This report included two recommendations which remain open over four years later. OPM recently secured funding to conduct this study and is currently working with a contractor to begin the study.



Figures in this chart encapsulate experience-rated fee-for-service Plans only.

Recently Implemented Recommendations

The below are two examples of significant recommendations for corrective action that OPM implemented during the SAR 70 period (October 1, 2023 – March 31, 2024).

1. Stopping Improper Payments to Deceased Annuitants

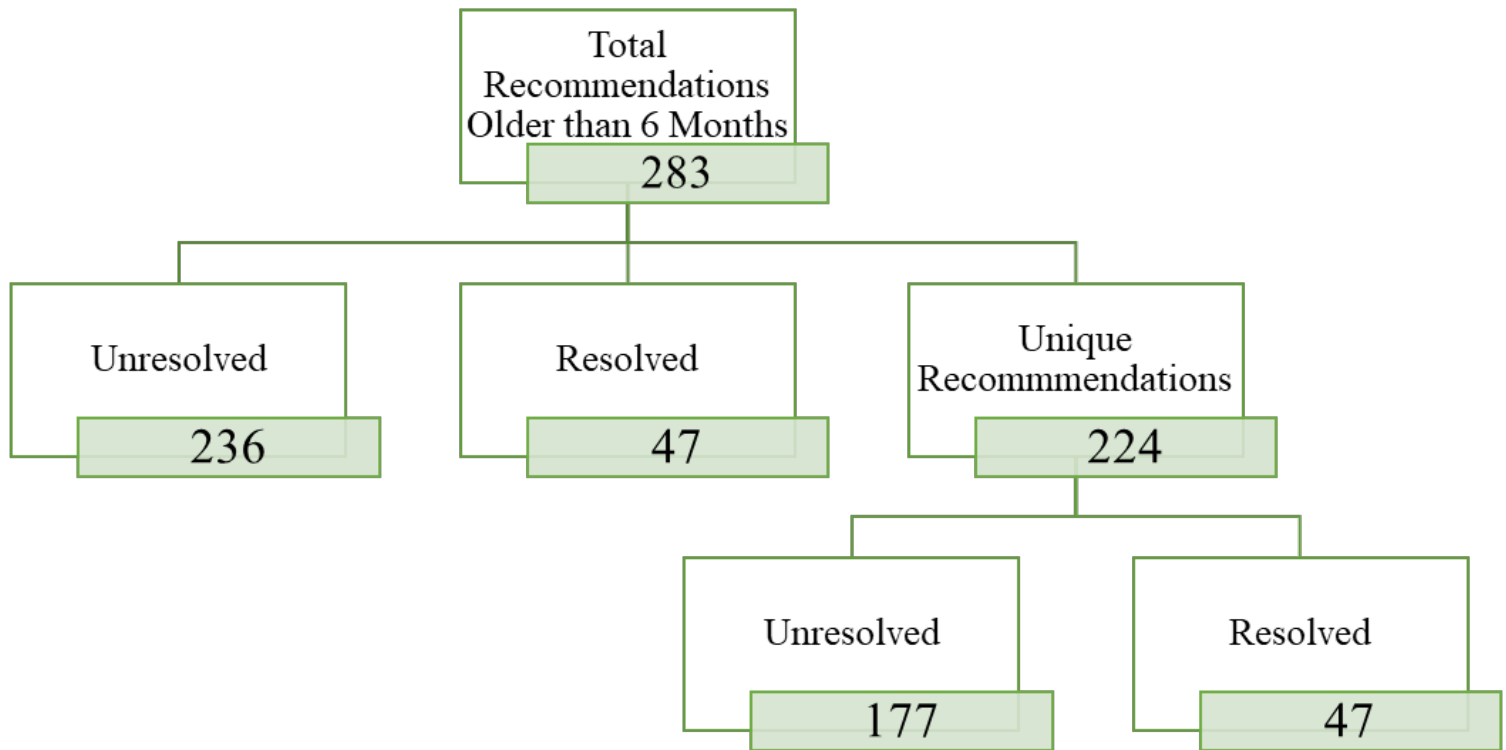
In September 2011, we recommended that OPM's Retirement Services office implement automated solutions to flag records and produce management reports to identify suspect activity indicative of improper payments to deceased annuitants. Retirement Services implemented a process of identifying sandwich payments (defined as payments for which the address or banking information is changed, and then changed back to the original information), reviewing flagged payments monthly to advise management of any potentially fraudulent activities, and reporting records with anomalies for further investigation. In addition, Retirement Services continues to use the Treasury Department's Do Not Pay portal to limit improper payments.

2. Update Agency Guidance Related to Hardening Web Servers and Secure Coding Practices

In October 2016, we recommended that OPM create or update policies and procedures to provide guidance for hardening web server operating systems and the secure design and coding of web-based applications. OPM published its Secure Software Development Implementation Procedures and Guidelines in the fourth quarter of 2023. The document provides secure software development guidelines and practices that supplement OPM's system development life cycle process to ensure that software being developed is adequately secured.

State of Affairs

As of March 31, 2024, there were **283** unimplemented recommendations over six months old, **224** of which are considered unique, contained in audit reports that the OIG had issued to the U.S. Office of Personnel Management.



Below is a table showing information on the reports issued and recommendations open during this SAR period:

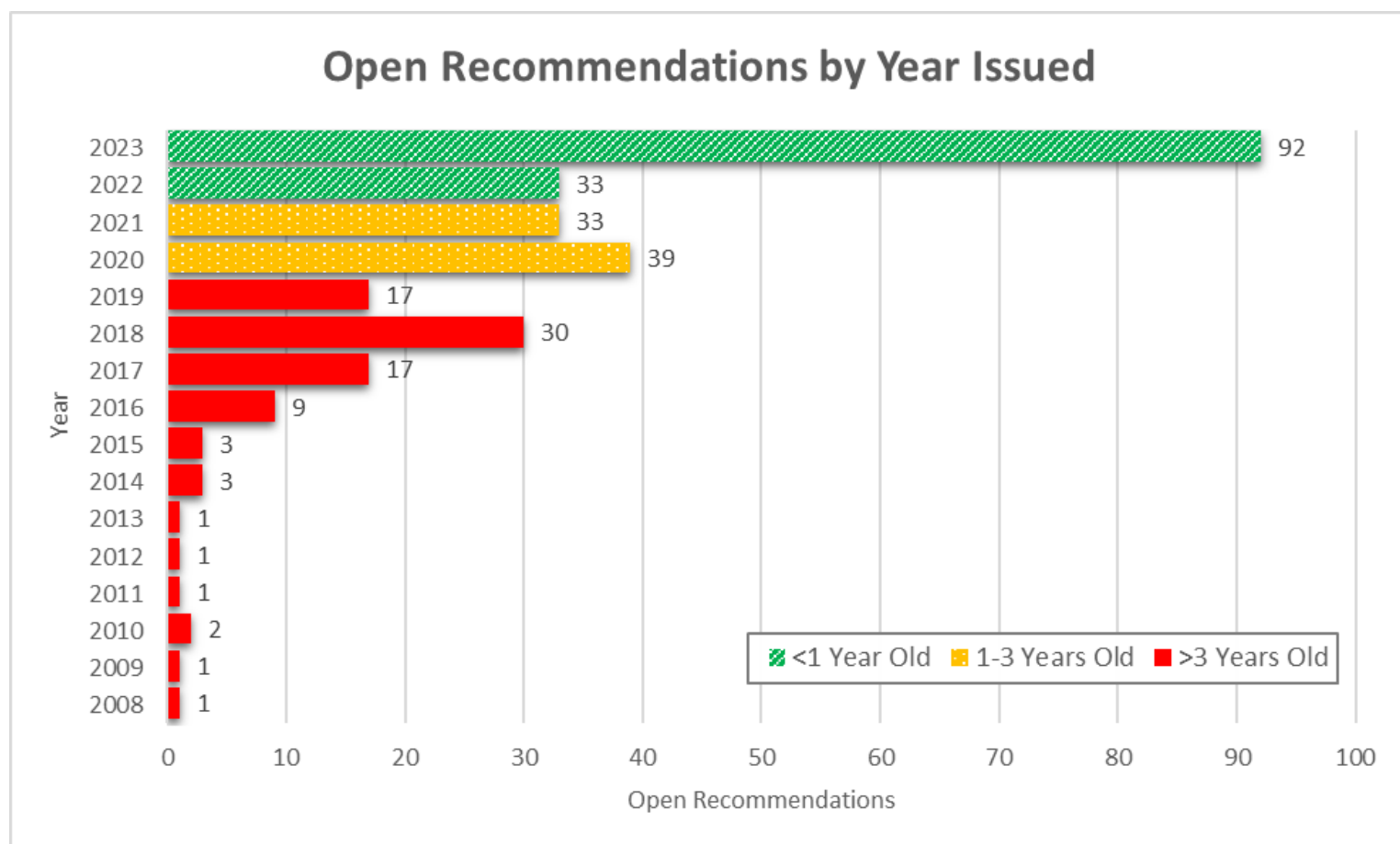
Type of Report	Number of Reports with Open Recommendations	Number of Open Recs. as of 03/31/2024	Number of Unique Recs. as of 03/31/2024
Internal Audits	30	152	95
IT Audits	15	50	49
Experience-Rated Insurance Audits	7	23	23
Community-Rated Insurance Audits	5	13	12
Other Insurance Audits	6	34	34
Evaluations	2	6	6
Management Advisories and Other Reports	2	5	5
Total	67	283	224

Below is a table showing the number of open procedural and monetary recommendations for each report type:

Type of Report	Procedural Recommendations	Monetary Recommendations	Value of Monetary Recommendations*
Internal Audits	152	0	\$0
IT Audits	50	0	\$0
Experience-Rated Insurance Audits	9	14	\$43,219,630
Community-Rated Insurance Audits	9	4	\$13,895,097
Other Insurance Audits	23	11	\$15,920,696
Evaluations	6	0	\$0
Management Advisories and Other Reports	5	0	\$0
Total	254	29	\$73,035,423

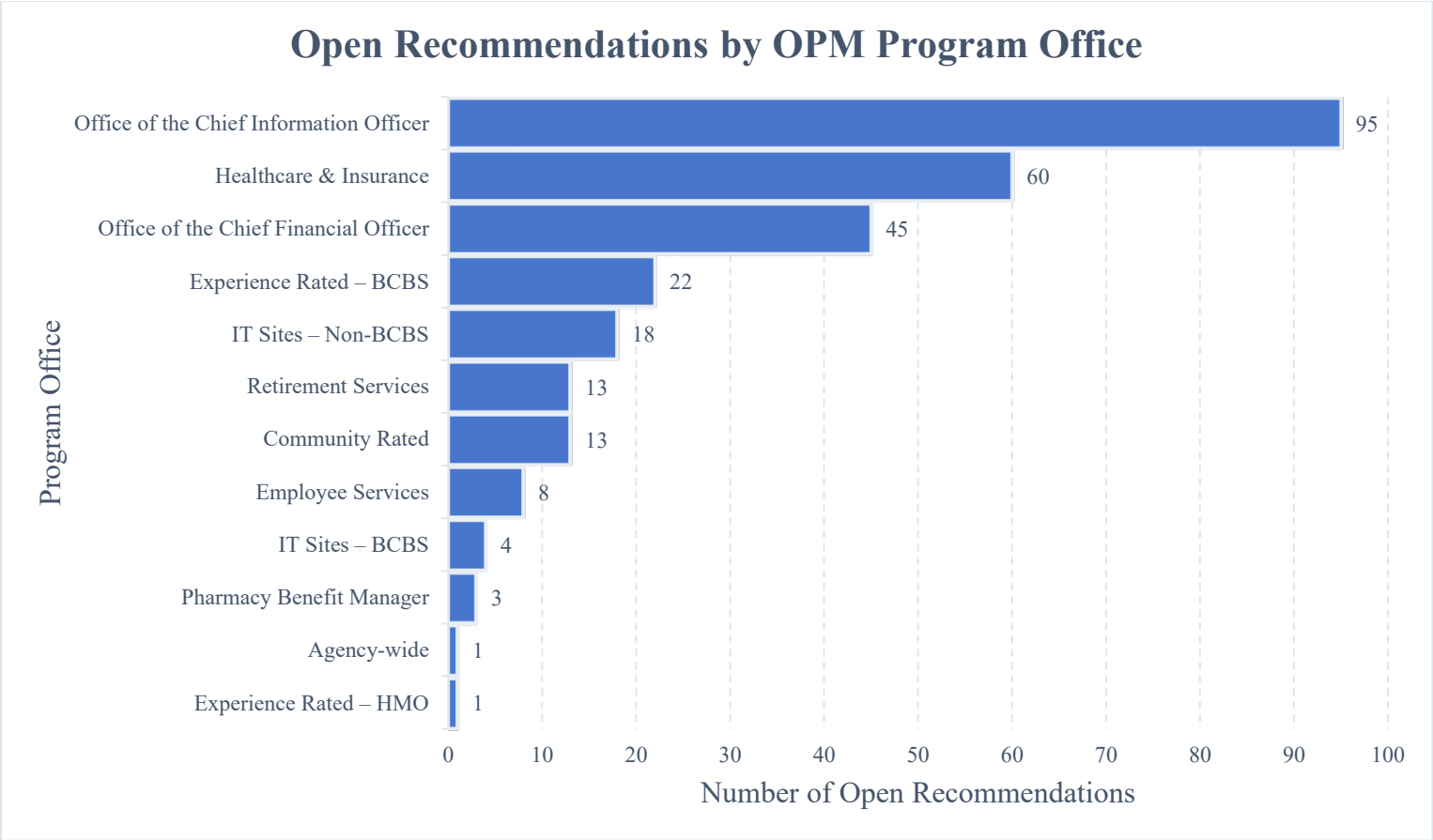
*Totals are rounded.

Below is a chart that highlights the aging of open recommendations:



Caption: This bar chart is a stoplight chart. The bars for 2023 and 2022 are green, to represent those recommendations open one year or less. The bars for 2021 and 2020 are yellow to represent those recommendations open between one and three years. All remaining bars, from 2019 through 2008, are colored red, to represent those recommendations open more than three years.

Below is a chart showing the number of open recommendations for each OPM program office or FEHBP contractor type:



Caption: This bar chart represents the number of open recommendations by OPM program office.



Report Fraud, Waste, and Mismanagement

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U.S. Office of Personnel Management
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Washington, DC 20415-1100