



U.S. Office of Personnel Management
Office of the Inspector General
Office of Audits

Final Audit Report

**Audit of the U.S. Office of Personnel Management's
Retirement Services' Settlement Process**

Report Number 2022-IAG-0019
June 15, 2023

Executive Summary

Audit of the U.S. Office of Personnel Management's Retirement Services' Settlement Process

Report No. 2022-IAG-0019

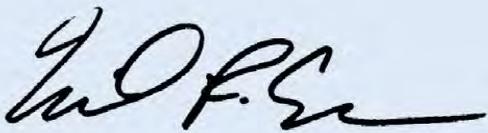
June 15, 2023

Why Did We Conduct the Audit?

The objectives of our audit were to determine if the U.S. Office of Personnel Management's (OPM) Retirement Services office and the Office of the Chief Financial Officer (OCFO) are following their respective policies and procedures for the retirement settlements process and if OPM properly reported retirement settlement overpayments as improper payments in paymentaccuracy.gov and accompanying materials.

What Did We Audit?

The Office of the Inspector General has completed a performance audit of the Retirement Services' settlement process. Our audit fieldwork was conducted in Washington, D.C. from July 21 through December 1, 2022.



Michael R. Esser
*Assistant Inspector General
for Audits*

What Did We Find?

We determined that:

1. Retirement Services did not follow their policies and procedures when processing settlement agreements. Specifically, for the 51 settlement agreements processed during our audit scope, we identified:
 - 24 settlement agreements with monthly installment agreements over the allowable 98 months;
 - 7 settlement agreements for appellants requesting a financial hardship that were missing required credit reports; and
 - 3 settlement agreements with waivers for more than 20 percent of the overpayment that did not have an explanation or documentation to support why the agreements had been granted waivers over the stated threshold.
2. OPM did not correctly report improper payments. Retirement Services and the OCFO reported the net amount of \$203,265 for 11 settlement agreements that included a waiver, rather than the gross amount of \$370,225, resulting in \$166,960 not reported as improper payments.
3. Retirement Services and the OCFO did not have policies and procedures regarding how improper payments should be reported.
4. OPM wrote off \$100,000 of a reemployed annuitant's debt because Retirement Services did not stop the annuity timely.

Abbreviations

MSPB	Merit Systems Protection Board
OCFO	Office of the Chief Financial Officer
OIG	Office of the Inspector General
OPM	U.S. Office of Personnel Management
SOP	Standard Operating Procedures

Table of Contents

	Executive Summary	i
	Abbreviations	ii
I.	Background	1
II.	Objectives, Scope, and Methodology	5
III.	Audit Findings and Recommendations	7
	A. Policies and Procedures Not Followed.....	7
	1. Installment Payments Over the Allotted Timeframe.....	7
	2. Missing Credit Reports for Financial Hardship	8
	3. Waivers Over 20 Percent Without Justification	9
	B. Improper Payments Incorrectly Reported	11
	C. Weak Internal Controls Increase Overpayment	11
	Appendix I: Fiscal Year 2021 Settlement Agreements	
	Appendix II: OPM’s March 27, 2023, response to the draft report	
	Report Fraud, Waste, and Mismanagement	

I. Background

This final report details the findings, conclusions, and recommendations resulting from our performance audit of the U.S. Office of Personnel Management’s (OPM) Retirement Services’ Settlement Process. The audit was performed by OPM’s Office of the Inspector General (OIG), as authorized by the Inspector General Act of 1978, as amended (5 U.S.C. §§ 401-424). This is the first audit conducted on the Retirement Services’ settlement process by the OIG.

Several different debt types can result from an overpayment. Retirement Services routinely reviews a selected sample of annuity payments to determine if an overpayment has been made. When Retirement Services determines that an overpayment has been made to an annuitant, the annuity is recalculated; an initial decision is made on the overpayment by Retirement Services’ Legal Reconsideration group; and a letter about the debt is sent to the annuitant. The annuitant can accept OPM’s initial decision and repay the debt; set up a repayment plan; or they can appeal OPM’s decision to the Merit Systems Protection Board (MSPB). From October 1, 2020, through September 30, 2021, the Legal Reconsideration group processed 4,083 cases as shown below in Table 1.

Table 1 – Legal Reconsideration Cases

Type of Case	Number of Actions
Other – Decision letters sent for non-overpayment decisions	1,525
Affirmed Overpayment – The MSPB board affirms the Administrative Judge’s ¹ ruling that the annuitant must pay the overpayment	1,499
Remand – Error [during] Initial Decision – An error occurred in the initial decision and the case is sent back to Retirement Services	598
Initial Actions Completed – Initial actions completed on the overpayment, but a settlement agreement not yet reached	214
Written Off – An annuitant is not at fault and is unable to pay the debt; therefore, the debt may be written off	165
Waived – An annuitant is at fault, but unable to pay the debt	78

¹ The Administrative Judge is an MSPB judge that rules on a decision. The MSPB board will review the judge's decision if it is appealed.

Type of Case	Number of Actions
Not Applicable – The action description was missing in the data table for cases	2
MSPB Regional Dismissal – A regional Administrative Judge dismissed the case against OPM	1
Affirmed Non-Overpayment – The MSPB affirms a non-overpayment	1
Total	4,083

Retirement settlements consist of all debt cases in which an annuitant, spouse, child survivor, or their representative has been issued a final decision by OPM on a debt matter, after which they choose to appeal the decision to the MSPB. When the annuitant does not agree with OPM’s initial decision, the annuitant must complete an MSPB application for reconsideration, *Form 185- Appellant Initial Appeal*, to appeal the decision. OPM is notified of the appeal through the MSPB’s appeal portal. OPM’s burden or role in the debt case is to prove the existence, amount, and correctness of the debt, and the agency must create a proper settlement that is a legal document for enforcement by the MSPB in the event of further litigation.

The Appeals group within Retirement Services’ Retirement and Eligibility Services group reviews retirement overpayment cases that have been appealed to the MSPB. Appeals staff review *Form 185* to determine the type of relief the appellant is seeking, which can be (1) reconsideration on existence and amount of the debt; (2) lower installment payments; (3) waiver²; or (4) voluntary repayment agreement. After an appeal to the MSPB, the Appeals group tries to reach a settlement agreement with the appellant to collect the overpayment. The settlement agreement includes terms of the collection for the overpayment; is signed by the appellant and a legal administrative specialist during a hearing with an Administrative Judge; and is enforced by the MSPB. The Legal Reconsideration Group sent out 1,499 decision letters to annuitants regarding an overpayment and the debt that they owed. As a result, from October 1, 2020, through September 30, 2021, the Appeals group received 797 cases, as shown below in Table 2, that were appealed to the MSPB, resulting in 51 settlement agreements. Details of the settlement agreements are shown in Appendix I.

² According to Retirement Services’ policy, a partial waiver should be granted if the debtor is without fault and recovery of any part would be against equity and good conscience.

Table 2 - Appeals Cases

Result of Appeal	Number of Actions
MSPB Dismissal - Ruled against OPM	344
MSPB Sustained - Ruled in favor of OPM	175
MSPB Reversal - Circuit Court of Appeals for the Federal Circuit reversed the MSPB's decision	118
MSPB Remand - The application is sent back to the annuitant for more information	69
MSPB Settlement Agreement - Debt cases in which an annuitant, spouse, child survivor, or their representative received a final decision from OPM, and they disagreed with OPM's decision and filed an appeal with the MSPB, which ultimately resulted in a settlement agreement	51
Other - Decision letter is sent for non-overpayment decisions	29
Not Applicable - Missing action description in the data table for cases	8
Remand – Error [in] Initial Decision - Error in the initial decision and the case is sent back to Retirement Services	2
Affirmed Overpayment - The MSPB board affirms the Administrative Judge's ruling that the annuitant must pay the overpayment	1
Total	797

OPM's Office of the Chief Financial Officer (OCFO) is also involved in the retirement settlement process for off-roll appellants by recording the receivable amount and collecting funds related to the repayment plans and settlement agreements. For collections from appellants who are not on the annuity roll, Retirement Services will send a request to the OCFO to set up a receivables account according to the instructions for the debt owed and agreed-upon monthly installments. When OPM collects money from an appellant, an *OPM Federal Funds System* posting sheet is prepared. In addition, the OCFO is responsible for reporting improper payments in paymentaccuracy.gov. The OCFO reports the overpayment as an improper payment. Overpayments with waivers, however, are reported at the net amount (gross amount of the overpayment less the amount of the waiver) rather than the gross (total) amount. For example, if an annuitant is overpaid \$50,000 and they receive a waiver of \$30,000 leaving a balance of \$20,000 owed to OPM, the OCFO reports the overpayment as \$20,000. The OCFO should instead record the \$20,000 as a receivable and the improper payment amount should be reported as \$50,000.

II. Objectives, Scope, and Methodology

Objectives

The objectives of our audit were to determine if:

- Retirement Services and the OCFO are following their respective policies and procedures for the retirement settlements process and
- OPM properly reported retirement settlement overpayments as improper payments in paymentaccuracy.gov and accompanying materials.

The recommendations included in this final report address the audit objectives.

Scope and Methodology

We conducted this performance audit in accordance with generally accepted Government auditing standards as established by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

The scope of our audit covered the Retirement Services' settlement cases and OCFO postings for October 1, 2020, through September 30, 2021. We performed our audit fieldwork in Washington, D.C. from July 21 through December 1, 2022.

To accomplish the audit objectives noted above, we:

- interviewed Retirement Services and OCFO personnel;
- reviewed retirement case files and the associated documents for the settlement agreements to determine if the cases were processed in accordance with procedures, and for correct OCFO posting and approval; and
- reviewed the *Treasury Report on Receivables* spreadsheet to determine if overpayments were included in the calculation of improper payments.

In planning our work and gaining an understanding of the internal controls over Retirement Services' settlement process, we considered, but did not rely on, Retirement Services and the OCFO's internal control structure to the extent necessary to develop our audit procedures. These procedures were substantive and analytical in nature. We gained an understanding of management procedures and controls to the extent necessary to achieve our audit objectives. The purpose of this audit was not to provide an opinion on internal controls, but merely to evaluate controls over the settlement process. Our audit included such tests and analysis of Retirement Services' policies and procedures and reporting of improper payments, an analysis of OCFO's reporting of improper payments, and other procedures as we considered necessary under the circumstances.

In conducting our audit, we relied to varying degrees on computer-generated data. To assess the reliability of computer-processed data, we verified data from Retirement Services' Annuity Roll Processing System against supporting documentation in the retirement case files. While utilizing the computer-generated data during our audit, nothing came to our attention to cause us to doubt its reliability. We believe that the data was sufficient to achieve our audit objectives. We did not evaluate the effectiveness of the general and application controls over computer-processed performance data.

We selected the entire universe of 51 settlement agreements from October 1, 2020, through September 30, 2021, for review and testing.

III. Audit Findings and Recommendations

The sections below detail the results of our audit of OPM’s Retirement Services’ settlement process.

A. Policies and Procedures Not Followed

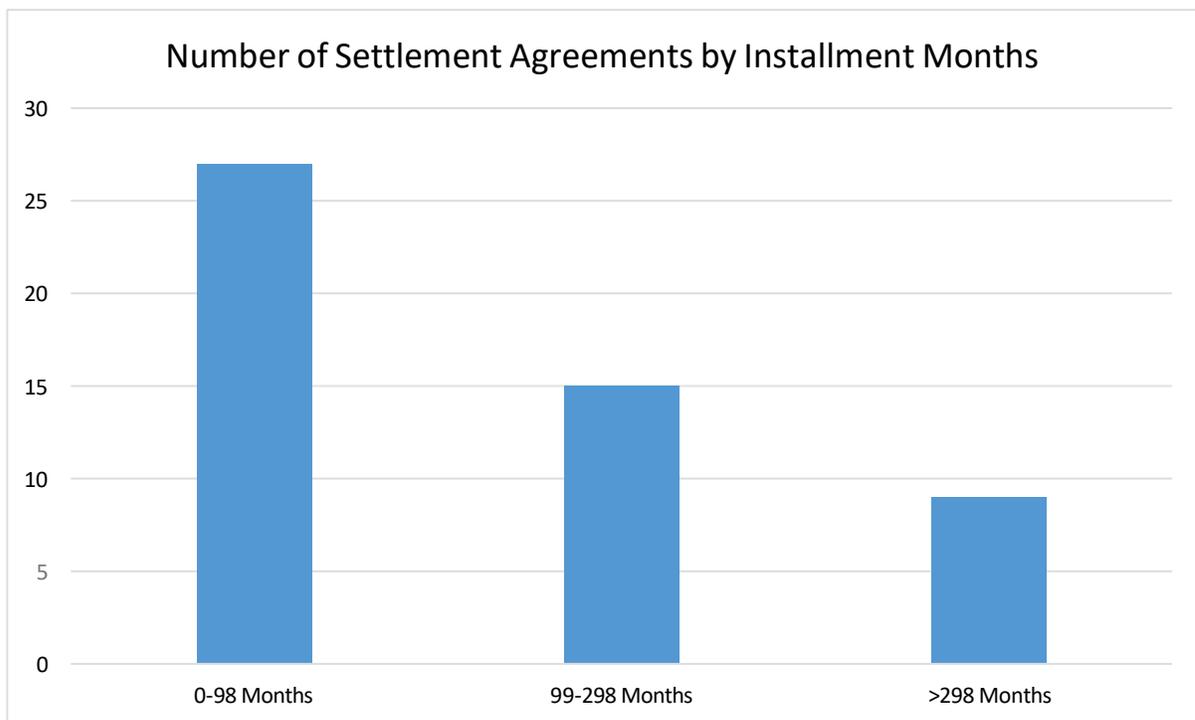
Based on our review of all 51 settlement agreements, totaling \$1,096,104, from October 1, 2020, through September 30, 2021³, we determined that Retirement Services did not follow their policies and procedures when processing settlement agreements.

Retirement Services’ policies and procedures were not followed.

1. Installment Payments Over the Allotted Timeframe

We found that 24 out of the 51 settlement agreements contained monthly installment repayment agreements over the allowable 98 months. Retirement Services’ *Standard Operating Procedures for Reviewing and Settling Overpayment Cases* states “Try not to have [any] monthly collection be over 98 installments if possible.”

Chart 1 - Installment Time



Retirement Services agreed that their Standard Operating Procedures (SOP) should be updated to reflect current, up to date collection processes; however, they stated that the caveats written into the SOP gives them flexibility to use a variety of mechanisms to effectuate the settlement

³ See Appendix I.

agreement. The SOP uses qualifying and guiding words such as “may,” “should,” “can,” “try to,” and “generally” rather than “shall” and “must” in most cases. Retirement Services also states that the overarching goal of the settlement process is to reach an agreement with the settler that the Administrative Judge will accept. Flexibility in their SOP allows them to negotiate in good faith and to recover the maximum amount of the overpayment possible in the shortest time possible.

While we understand that Retirement Services wants to have flexibility when negotiating a settlement agreement, the data in Chart 1 shows that half of the settlement agreements are over 8 years, including 14 which are over 20 years. Having agreements that extend beyond the length of time outlined in Retirement Services’ SOP ultimately may not result in recovering the maximum amount of the overpayment in the shortest time possible.

Recommendation 1:

We recommend that Retirement Services revise their policies and procedures to include realistic monthly installment timeframes for the collection of overpayments. The policies and procedures should also include guidance for when exceptions may be warranted for lengthy installment agreements and how those exceptions should be supported and documented.

OPM’s Response:

“We concur. Retirement Services’ Settlement Standard Operation Procedure (SOP) can be updated to reflect current, up to date collection processes. We use qualifying and guiding words such as ‘may’, ‘should’, ‘can’, ‘try to’ and ‘generally’ rather than ‘shall’ and ‘must’ in most cases..... The flexibility afforded with the Retirement Services Settlement Process SOP allows Retirement Services to negotiate in good faith and to recover the maximum amount of the overpayment as possible in the shortest time possible.”

2. Missing Credit Reports for Financial Hardship

For the 51 settlement agreements there were 30 that involved a financial hardship request. We found that 10 of these 30 settlement agreements were missing credit reports. Retirement Services’ *Standard Operating Procedures for Reviewing and Settling Overpayment Cases* states, in part, the following:

The Appeals staff reviews the debt and [appellant’s] ability for waiver, compromise, and/or settlement. The Appeals staff then determines if the appellant submitted a *Financial Resource Questionnaire Form RI 34-1* to verify the appellant’s monthly income and expenses. If the appellant requests a lower installment or a waiver based on financial hardship, the Appeals staff must pull a credit report.

Retirement Services stated that they normally request credit reports when responses to the *Financial Resource Questionnaire* appear to be overstating items or costs. However, if two credit reports are requested in a short period of time (e.g., one requested by Retirement Services and another by a mortgage lender), pulling the appellant's credit report could adversely disrupt the appellant's effort to restructure other financial obligations, such as mortgage payments; therefore, Retirement Services does not always pull the credit report. We noted that Retirement Services' SOP does not discuss exceptions which would warrant not pulling a credit report, including the example they discussed. The SOP also does not include alternative procedures to validate the appellant's monthly income and expenses if Retirement Services does not pull a credit report.

Not running credit reports in financial hardship cases may result in settlement terms that are inappropriately lenient to the debtor and a reduction in overall collections of debt.

Recommendation 2:

We recommend that Retirement Services update their SOP to provide guidance on when exceptions to pulling a credit report would be warranted. The SOP should also discuss alternate procedures to validate income and expenses, when Retirement Services cannot obtain the credit report.

OPM's Response:

“We concur. Retirement Services normally requests credit reports when responses to the Financial Resource Questionnaire appears to be overstating items/costs. It is not always possible to retrieve credit reports and the settlement process proceeds without it. Such instances include the period of time when ... the amount of the settlement is low or the income of the settler is low, and when requesting a copy of a credit report would negatively impact the ongoing financial health of the settler. In these cases, the settler has advised OPM that if two credit reports are requested in a short period of time it would adversely disrupt their effort to restructure other financial obligations such as mortgage payments. We agree that we should update our SOP to include exceptions to pulling a credit report and alternative methods of validating financial situations.”

3. Waivers Over 20 Percent Without Justification

Out of the 51 settlement agreements, we found 3 settlement agreements with waivers for more than 20 percent of the overpayment, detailed in Table 3. Retirement Services did not provide an explanation or documentation to support why the agreements had been granted waivers over the stated threshold.

Table 3 - Waivers Without Justification Over 20 Percent

Agreement	Overpayment Amount	Total Waiver Amount	Waiver Amount over 20 Percent
1	\$5,043	\$1,261	\$252
2	\$21,517	\$4,814	\$511
3	\$15,436	\$3,436	\$349
Total	\$41,996	\$9,511	\$1,112

Amounts in the table are rounded

Waivers are sometimes used to reach a settlement agreement if an annuitant cannot financially repay the entire amount. Retirement Services’ policies and procedures allow for 20 percent of the total debt to be waived; however, if the waiver is more than 20 percent of the overpayment, the settlement agreement should include an explanation. According to the *Standard Operating Procedures for Reviewing and Settling Overpayment Cases*, Retirement Services can negotiate a write-off of up to 20 percent of the total debt without justification. Amounts above 20 percent require a justification for the write-off.

The *U.S. Government Accountability Office, Standards for Internal Control in the Federal Government* states, “Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.”

Recommendation 3:

We recommend that Retirement Services ensure that they maintain sufficient documentation to support when waivers over 20 percent of the debt are approved.

OPM’s Response:

“We concur. Settlements cases with waivers over 20 percent need to have the justification for this part of the agreement included in the case file.”

B. Improper Payments Incorrectly Recorded

OPM did not report improper payments correctly in paymentaccuracy.gov. The gross amount of overpayments is required to be reported as improper payments. However, Retirement Services and the OCFO reported the net amount of \$203,265 for 11 settlement agreements that included a waiver, rather than the gross amount of \$370,225 in paymentaccuracy.gov. As a result, improper payments were understated by \$166,690. We also noted that Retirement Services and the OCFO do not have policies and procedures regarding how improper payments should be reported.

**Improper payments
were underreported
by \$166,690.**

The *Payment Integrity Information Act of 2019*, Section 3351 (4) states, “The term ‘improper payment’-- (A) means any payment that should not have been made or that was made in an incorrect amount, including an overpayment” Once Retirement Services incorrectly pays the annuitant, the full amount of the overpayment should be reported as an improper payment even if part of the amount is waived in a settlement agreement. The settlement agreement amount represents a receivable, or amount due, from the annuitant; it is not the amount of the improper payment.

Recommendation 4:

We recommend that the OCFO and Retirement Services develop policies and procedures to ensure that the total (gross) amount of the overpayment(s) is reported as an improper payment, along with controls to validate the proper amount is reported.

OPM’s Response:

“We concur. Retirement Services and OCFO will work together to strengthen the existing policies and procedures.”

C. Weak Internal Controls Increase Overpayment

During our audit, we found a case where a reemployed annuitant called OPM numerous times over an eight-year period to stop their annuity checks. Once OPM finally stopped the annuity payments, the annuitant had been overpaid \$166,968.

**Annuitant overpaid
\$166,968.**

The *Civil Service Retirement System – Federal Employees Retirement System Handbook, Section 100B1.1-3, Status of Annuity Upon Reemployment*, states, “When an annuitant is reemployed, the annuity continues, and the amount of annuity that applies to the period of reemployment is offset from the reemployed annuitant’s salary.”

The *Policy Guidelines on the Disposition of Overpayments under the Civil Service Retirement System and the Federal Employees' Retirement System*, states, “without-fault finding is based on whether the debtor is without fault, not whether OPM ... is at fault. ... [E]rrors and delays by OPM may be a factor in determining whether recovery would be against equity and good conscience.”

The *Standard Operating Procedures for Reviewing and Settling Overpayment Cases*, states, “If OPM is found to be egregious in that we ... caused the debt ... or we know of the debt and failed to adjust the annuity, then we may consider waiver or compromise.”

Retirement Services did not know why the annuity was not terminated when requested by the annuitant. Retirement Services stated it was unreasonable to have the annuitant set-aside her CSRS annuity payment for a period of eight years since the annuitant contacted OPM on several occasions about her reemployment and requested that her annuity be terminated. Setting aside the CSRS annuity payments would not be applicable in this case since OPM was at fault for not stopping the payments in a timely manner. As a result, OPM wrote off \$100,000 of the debt, resulting in a loss to the Civil Service Retirement and Disability Fund.

Recommendation 5:

We recommend that Retirement Services implement internal controls to ensure that reemployed annuitants' annuities are offset or terminated, whichever is applicable, in a timely manner.

OPM's Response:

“We concur. Retirement Services agrees that the errors made in initial processing were egregious, and a settlement agreement was necessary in this case. As a result, Retirement Services will strengthen its internal controls to prevent initial processing errors via our formal review process.”

Appendix I

Fiscal Year 2021 Settlement Agreements

Count	Initial Overpayment	Waiver Amount	Settlement Agreement Amount
1	\$ 17,247.12	\$ -	\$ 17,247.12
2	\$ 29,832.00	\$ -	\$ 29,832.00
3	\$ 16,590.07	\$ 3,318.01	\$ 13,272.06
4	\$ 13,170.64	\$ -	\$ 13,170.64
5	\$ 21,041.00	\$ -	\$ 21,041.00
6	\$ 22,695.00	\$ -	\$ 22,695.00
7	\$ 7,209.00	\$ 1,081.35	\$ 6,127.65
8	\$ 25,634.00	\$ 5,126.80	\$ 20,507.20
9	\$ 166,968.10	\$ 100,000.99	\$ 66,967.11
10	\$ 5,042.92	\$ 1,260.73	\$ 3,782.19
11	\$ 16,360.00	\$ 3,272.00	\$ 13,088.00
12	\$ 8,944.61	\$ -	\$ 8,944.61
13	\$ 15,928.00	\$ -	\$ 15,928.00
14	\$ 2,793.53	\$ -	\$ 2,793.53
15	\$ 15,939.00	\$ -	\$ 15,939.00
16	\$ 8,015.40	\$ 1,293.30	\$ 6,722.10
17	\$ 5,586.70	\$ -	\$ 5,586.70
18	\$ 9,289.21	\$ -	\$ 9,289.21
19	\$ 5,026.28	\$ -	\$ 5,026.28
20	\$ 2,238.70	\$ -	\$ 2,238.70
21	\$ 39,816.00	\$ -	\$ 39,816.00
22	\$ 32,979.00	\$ -	\$ 32,979.00
23	\$ 19,835.25	\$ -	\$ 19,835.25
24	\$ 14,268.00	\$ -	\$ 14,268.00
25	\$ 89,174.00	\$ -	\$ 89,174.00
26	\$ 13,035.00	\$ -	\$ 13,035.00
27	\$ 78,537.00	\$ -	\$ 78,537.00
28	\$ 5,030.78	\$ -	\$ 5,030.78
29	\$ 12,121.98	\$ -	\$ 12,121.98
30	\$ 52,496.00	\$ 36,455.58	\$ 16,040.42

Count	Initial Overpayment	Waiver Amount	Settlement Agreement Amount
31	\$ 16,232.00	\$ -	\$ 16,232.00
32	\$ 30,477.00	\$ -	\$ 30,477.00
33	\$ 21,802.67	\$ -	\$ 21,802.67
34	\$ 26,950.00	\$ -	\$ 26,950.00
35	\$ 25,634.00	\$ 5,126.80	\$ 20,507.20
36	\$ 4,025.00	\$ -	\$ 4,025.00
37	\$ 3,845.50	\$ -	\$ 3,845.50
38	\$ 1,482.50	\$ -	\$ 1,482.50
39	\$ 28,725.00	\$ -	\$ 28,725.00
40	\$ 15,391.60	\$ -	\$ 15,391.60
41	\$ 13,247.70	\$ -	\$ 13,247.70
42	\$ 574.00	\$ -	\$ 574.00
43	\$ 22,197.00	\$ -	\$ 22,197.00
44	\$ 34,507.00	\$ 6,901.40	\$ 27,605.60
45	\$ 21,517.00	\$ 4,814.50	\$ 16,702.50
46	\$ 15,436.00	\$ 3,436.00	\$ 12,000.00
47	\$ 25,770.63	\$ -	\$ 25,770.63
48	\$ 9,548.00	\$ -	\$ 9,548.00
49	\$ 1,229.16	\$ 1,229.16	\$ -
50	\$ 2,715.73	\$ -	\$ 2,715.73
51	\$ 1,951.90	\$ -	\$ 1,951.90
Total	\$ 1,096,103.68	\$ 173,316.62	\$ 922,787.06

Appendix II

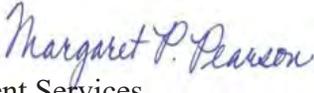


Retirement Services

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

March 27, 2023

Memorandum for: Nicole Brown-Fennell
Chief, Internal Audits Group

From: Margaret P. Pearson 
Associate Director, Retirement Services

Erica D. Roach
Acting Chief Financial Officer

ERICA ROACH

Digitally signed by ERICA
ROACH
Date: 2023.03.27 08:49:39
-0400'

The U.S. Office of Personnel Management submits its management response to the recommendations made by the Office of the Inspector General (OIG) in its draft report entitled, *Audit of the U.S. Office Of Personnel Management's Retirement Services' Settlement Process*, Report number 2022-IAG-0019 dated March 3, 2023.

OPM's management decisions have been reviewed and updated from the draft response were noted in each recommendation.

Responses to your recommendations including planned corrective actions, as appropriate, are provided below.

Recommendation 1:

We recommend that Retirement Services (RS) revise their policies and procedures to include realistic monthly installment timeframes for the collection of overpayments. The policies and procedures should also include guidance for when exceptions may be warranted for lengthy installment agreements and how those exceptions should be supported and documented.

Management Response: We concur. Retirement Services' Settlement Standard Operation Procedure (SOP) can be updated to reflect current, up to date collection processes. We use qualifying and guiding words such as 'may', 'should', 'can', 'try to'

and ‘generally’ rather than ‘shall’ and ‘must’ in most cases. The overarching goal of the settlement process is to reach an agreement with the settler that the Administrative Judge will accept. It must be noted that the Administrative Judge can reject a settlement proposal and impose his/her own guidance. The flexibility afforded with the Retirement

Services Settlement Process SOP allows Retirement Services to negotiate in good faith and to recover the maximum amount of the overpayment as possible in the shortest time possible.

Recommendation 2:

We recommended that Retirement Services update their SOP to provide guidance on when exceptions to pulling a credit report would be warranted. The SOP should also discuss alternate procedures to validate income and expenses, when Retirement Services cannot obtain the credit report.

Management Response: We concur. Retirement Services normally requests credit reports when responses to the Financial Resource Questionnaire appears to be overstating items/costs. It is not always possible to retrieve credit reports and the settlement process proceeds without it. Such instances include the period of time when access to credit reports was blocked by either OPM or other entities; when the amount of the settlement is low or the income of the settler is low, and when requesting a copy of a credit report would negatively impact the ongoing financial health of the settler. In these cases, the settler has advised OPM that if two credit reports are requested in a short period of time it would adversely disrupt their effort to restructure other financial obligations such as mortgage payments. We agree that we should update our SOP to include exceptions to pulling a credit report and alternative methods of validating financial situations.

Recommendation 3:

We recommend that Retirement Services ensure that they maintain supporting documentation to support when waivers over 20 percent of the debt are approved.

Management Response: We concur. Settlements cases with waivers over 20 percent need to have the justification for this part of the agreement included in the case file.

Recommendation 4:

We recommend that the OCFO and Retirement Services develop policies and procedures to ensure that the total (gross) amount of the overpayment(s) is reported as an improper payment, along with controls to validate the proper amount is reported.

Management Response: We concur. Retirement Services and OCFO will work together to strengthen the existing policies and procedures.

Recommendation 5:

We recommend that Retirement Services implement internal controls to ensure that reemployed annuitants' annuities are offset or terminated, whichever is applicable, in a timely manner.

Management Response: We concur. Retirement Services agrees that the errors made in initial processing were egregious, and a settlement agreement was necessary in this case.

As a result, Retirement Services will strengthen its internal controls to prevent initial processing errors via our formal review process.

OPM appreciates the opportunity to respond to this draft report. If you have any questions regarding our response, please contact **Deleted by OIG. Not relevant to report.**

cc:

Deleted by OIG. Not relevant to report.



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: <https://oig.opm.gov/contact/hotline>

By Phone: Toll Free Number: (877) 499-7295

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