



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

Final Interim Audit Report

**AUDIT OF THE U.S. OFFICE OF PERSONNEL
MANAGEMENT'S IMPLEMENTATION
OF THE POSTAL SERVICE HEALTH BENEFITS
PROGRAM: INTERIM REPORT**

**Report Number PSHB-087 OF
April 25, 2024**

EXECUTIVE SUMMARY

Audit of the U.S. Office of Personnel Management's Implementation of the Postal Service Health Benefits Program: Interim Report

Report No. PSHB-087

April 25, 2024

Why Did We Conduct the Audit?

The primary objective of this audit was to provide oversight to ensure that the U.S. Office of Personnel Management (OPM) continued to follow appropriate laws, regulations, and guidance to implement the requirements of 5 United States Code Chapter 89 (Public Law 117-108), cited as the Postal Service Reform Act of 2022.

What Did We Audit?

In accordance with the Inspector General Act of 1978, as amended, 5 U.S.C § 404(a), the OPM Office of the Inspector General completed this interim audit report to provide an update on OPM's continued implementation of the Postal Service Health Benefits Program, specifically related to OPM's project management and the Carrier Connect Authorization to Operate. We conducted this portion of the audit in our Washington, D.C. and Cranberry Township, Pennsylvania offices from September 22, 2023, through March 1, 2024.



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*Assistant Inspector General
for Audits*

What Did We Find?

Our ongoing reviews of OPM's project management structure have determined that OPM has been effectively using the integrated master schedule since its development in June 2023.

Since September 2023, we have been monitoring OPM's progress on the Carrier Connect Authorization to Operate, which was originally signed prior to the completion of all required security documentation. We have determined that OPM has now completed the necessary security documentation prior to the signing of the most recent Carrier Connect authorization memorandum.

In monitoring the OPM Office of the Chief Information Officer's Agile Scrum project management process for Carrier Connect and the Postal Service Health Benefits System, we determined that OPM continued to effectively use the agile approach for development and implementation for both information technology systems.

ABBREVIATIONS

A&A	Assessment and Authorization
ATO	Authorization to Operate
Carriers	Health Insurance Carriers
FEHB	Federal Employees Health Benefits
FEHBP	Federal Employees Health Benefits Program
FIPS	Federal Information Processing Standards
IMS	Integrated Master Schedule
IT	Information Technology
NIST	National Institute of Standards and Technology
OCIO	Office of the Chief Information Officer
OIG	Office of the Inspector General
OMB	U.S. Office of Management and Budget
OPM	U.S. Office of Personnel Management
POA&M	Plan of Action and Milestones
Postal Service	U.S. Postal Service
PSHB	Postal Service Health Benefits
PSHBP	Postal Service Health Benefits Program
PSHBS	Postal Service Health Benefits System
PSRA	Postal Service Reform Act of 2022
SDLC	System Development Life Cycle
U.S.C.	United States Code

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I. BACKGROUND

This interim audit report details the results of the U.S. Office of Personnel Management's (OPM) Office of the Inspector General's (OIG) audit of OPM's implementation of the Postal Service Health Benefits Program (PSHBP). Specifically, it provides an update related to our findings included in reports on OPM's project management (Report Number PSHB-084) and Carrier Connect's Authorization to Operate (Report Number PSHB-085).

The audit was conducted pursuant to the provisions of the Postal Service Reform Act of 2022 (PSRA); 5 United States Code (U.S.C.) Chapter 89; and 5 Code of Federal Regulations Chapter 1, Parts 890 and 892. The audit was performed by OPM's OIG, as authorized by the Inspector General Act of 1978, as amended (5 U.S.C. sections 401 through 424).

The PSHBP was established within the Federal Employees Health Benefits Program (FEHBP) by the PSRA (Public Law 117-108), enacted on April 6, 2022, and will be administered by OPM's Healthcare and Insurance Office. The PSHBP was created to provide health insurance benefits for U.S. Postal Service (Postal Service) employees, annuitants, and eligible dependents beginning on January 1, 2025. For these individuals, eligibility for enrollment or coverage in Federal Employees Health Benefits (FEHB) plans will end on December 31, 2024, and enrollment and coverage will only be offered by the Postal Service Health Benefit (PSHB) plans after that time. Subject to limited exceptions, Postal Service annuitants who retire and become Medicare-eligible after December 31, 2024, and their Medicare-eligible¹ family members, will be required to enroll in Medicare Part B² as a condition of eligibility to enroll in the PSHBP. The first Open Season for the PSHBP will begin on November 11, 2024, and run through December 9, 2024. The first contract year will begin January 1, 2025.

Health insurance coverage is provided through contracts with health insurance carriers (Carriers) who provide service benefits, indemnity benefits, or comprehensive medical services. Required benefits are listed in broad categories in the FEHB statute at 5 U.S.C. § 8904 and include hospital benefits, surgical benefits, medical care and treatment, and obstetrical benefits, among others. Each year, OPM issues guidance for health benefits carriers preparing FEHB plan benefit proposals. The guidance outlines technical requirements for each proposal, including benefit package details such as actuarial value, benefit changes from the previous year, and the drug formulary. Carriers offering PSHB plans, as part of the FEHBP, will be subject to the same or similar guidance. The PSRA requires that the Carriers offering PSHB plans will, to the greatest extent practicable, offer benefits and cost-sharing equivalent to the benefits and cost-sharing for FEHB plans for that Carrier in the initial contract year.

Section 101 of the PSRA added a new section, 8903c, to 5 U.S.C Chapter 89 which directs OPM to establish the PSHBP. The PSHBP was authorized under the Title I Postal Service Financial

¹ Medicare is generally for people 65 or older, but may also include people with disabilities, End-Stage Renal Disease, or Lou Gehrig's disease.

² Medicare Part B is medical insurance covering services from doctors, outpatient care, home health care, durable medical equipment, and many preventative services.

Reforms provisions in the PSRA in furtherance of Congress’s objective to “improve the financial position of the Postal Service while increasing transparency and accountability of the Postal Service’s operations, finances, and performance.” OPM issued an interim final rule on April 6, 2023, to set forth standards to implement Section 101 of the PSRA to establish the PSHBP.

Our plan is to provide oversight and periodic interim reports throughout OPM’s implementation of the PSHBP with a focus on critical aspects of the program implementation process. This is our third such interim report on OPM’s implementation of the PSHBP. The preliminary results of this audit were communicated to OPM officials during an exit conference on March 1, 2024.

II. OBJECTIVE, SCOPE, AND METHODOLOGY

OBJECTIVE

The primary objective of this audit was to provide oversight to ensure that OPM continued to follow appropriate laws, regulations, and guidance to implement the requirements of 5 United States Code Chapter 89 (Public Law 117-108), cited as the Postal Service Reform Act of 2022. The primary objective of this interim audit report is to provide an update on OPM's implementation of the PSHBP, specifically related to OPM's project management and Carrier Connect's Authorization to Operate.

SCOPE

We conducted this audit in accordance with generally accepted government auditing standards. 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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives.

We obtained an understanding of OPM's internal control structure, as applicable to the specific review areas of the PSHBP implementation, but we did not use this information to determine the nature, timing, and extent of our audit procedures. Our review of internal controls was limited to the procedures OPM has in place to ensure that its project management oversight is in accordance with the applicable laws, rules, and regulations.

In conducting the audit, we relied to varying degrees on computer-generated data provided by OPM. We did not verify the reliability of the data generated by the various information systems involved. However, nothing came to our attention during our review utilizing the computer-generated data to cause us to doubt its reliability. We believe that the available data was sufficient to achieve our audit objectives. Except as noted above, the audit was conducted in accordance with generally accepted government auditing standards, issued by the Comptroller General of the United States.

We conducted our audit fieldwork for this portion of our audit in our Washington, D.C. and Cranberry Township, Pennsylvania offices from September 22, 2023, through March 1, 2024.

METHODOLOGY

This interim final report provides an update on issues discussed in the OIG’s interim audit report (Report Number PSHB-084³), issued November 2, 2023, and the OIG’s flash audit alert (Report Number PSHB-085⁴), issued November 15, 2023.

To monitor the progress of the integrated master schedule (IMS), we requested and received multiple copies of the IMS. We have compared the versions of the IMS to determine if OPM is effectively utilizing it, if it is complete, and if it is a dynamic tool.

The OIG requested and received additional documentation related to the Carrier Connect authorization security documentation for its December 2023 Authorization to Operate (ATO). We reviewed the documentation to determine if OPM’s Carrier Connect security authorization package contained the required documents in accordance with OPM policy, U.S. Office of Management and Budget (OMB) guidance, and the National Institute of Standards and Technology (NIST) Risk Management Framework.

We held meetings with OPM’s Office of the Chief Information Officer (OCIO) personnel to receive updates on the information technology (IT) systems and the management of those projects.

Other auditing procedures were performed as necessary to meet our audit objectives.

We will issue interim reports periodically throughout our oversight of the implementation of the PSHBP. These reports will compile the results of our audits and provide any applicable updates on previous audits. As required by the Inspector General Act of 1978, as amended, 5 U.S.C. § 420, each final interim report will be available to the public on the OIG’s webpage⁵.

³ Report Number PSHB-084 - <https://oig.opm.gov/reports/audit/audit-us-office-personnel-managements-implementation-postal-service-health-benefits>

⁴ Report Number PSHB-085 - <https://oig.opm.gov/reports/audit/audit-us-office-personnel-managements-implementation-postal-service-health-benefits-0>

⁵ OPM OIG Website - <https://oig.opm.gov/>

III. AUDIT RESULTS

A. INTEGRATED MASTER SCHEDULE

OPM has been utilizing the IMS since its delayed development and implementation in June 2023.

The U.S. Government Accountability Office’s Schedule Assessment Guide (GAO-16-89G) provides best practices for agencies to use in developing and maintaining a project schedule, as well as principles for auditors to use in evaluating government programs. The Schedule Assessment Guide states that the IMS should be the focal point of program management, as it integrates the planned work, necessary resources, and budgeting. The IMS links the scheduled work “in a network, or collection of logically linked sequences of activities,”⁶ which is critical for effective project monitoring and implementation management. The IMS should be complete and should be updated continuously with activities and project implementation progress.

In the OIG’s previous interim audit report on the PSHBP, Report Number PSHB-084, which discussed OPM’s project management of the implementation of the Postal Service Health Benefits Program, we determined that OPM had a delayed process in developing and utilizing an IMS. The OIG has requested periodic copies of the IMS since November 2023. We have compared each version of the IMS to the previous versions received.

Through this analysis, we have determined that OPM has continued to regularly update its IMS. Each version of the IMS tracked milestones by business segment and was a fluid document with numerous changes to milestone categories from version to version. The IMS is complete, dynamic, and appropriately utilized by OPM. We will continue to monitor OPM’s use of the IMS throughout the PSHBP implementation.

B. CARRIER CONNECT’S AUTHORIZATION TO OPERATE

In the OIG’s previous flash audit alert⁷ related to Carrier Connect⁸, Report Number PSHB-085, issued November 15, 2023, we reported on OPM’s Carrier Connect Assessment and

⁶ GAO-16-89G, December 2015, Schedule Assessment Guide – Best Practices for Project Schedules

⁷ The OIG issues a flash audit alert to bring issues that require immediate action to the attention of the responsible official.

⁸ The OPM Carrier Connect system will be used by Carriers to apply to provide benefits through the PSHBP. Carrier Connect was designed to record the Carriers’ applications and document communication between OPM and the Carriers. Additional functionality will be added to negotiate rates, execute contracts, upload plan information, provider networks, formularies, etc.

Authorization (A&A) process and the associated security documentation that was not completed during the system development life cycle (SDLC).

The primary challenge facing OPM in the implementation of the PSHBP is the requirement that postal employees be enrolled in a PSHB plan by January 1, 2025. This means that the IT systems supporting the enrollment process must be securely developed, tested, and operational well before the open season enrollment period that starts in November 2024. Carrier Connect had an even shorter development timeline because the system was scheduled to be moved into the OPM production IT environment by the end of June 2023 to support the application process for Carriers to participate in the new PSHBP.

An important aspect of the SDLC is the foundational concept that information security be considered and incorporated throughout the process. The NIST Special Publication 800-37 Rev. 2 “Risk Management Framework for Information Systems and Organizations: A System Life Cycle Approach for Security and Privacy,” discusses this in detail.

NIST 800-37 states, “Security and privacy requirements are part of the functional and nonfunctional requirements allocated to a system. The security and privacy requirements are incorporated into the SDLC simultaneously with other requirements. Without the early integration of security and privacy requirements, significant expense may be incurred by the organization later in the life cycle to address security and privacy concerns that could have been included in the initial design. When security and privacy requirements are defined early in the SDLC and integrated with other system requirements, the resulting system has fewer deficiencies, and therefore, fewer privacy risks or security vulnerabilities that can be exploited in the future.”

Since September 2023, the OIG has been monitoring OPM’s progress on the Carrier Connect A&A and the most recent authorization memorandum, which was signed on December 22, 2023. Specifically, we have monitored and reviewed the following:

1. FIPS 199 Security Categorization

OMB Circular A-130, *Managing Information as a Strategic Resource*, requires Federal agencies to assign security categorization to all Federal information and information systems. Federal Information Processing Standards (FIPS) Publication 199, *Standards for Security Categorization of Federal Information and Information Systems*, defines standards to be used by Federal agencies to make security categorization decisions with the objective of providing sufficient information security controls according to risk. A system’s minimum information security requirements are defined in FIPS Publication 200, *Minimum Security Requirements for Federal Information and Information*

Systems, and are determined based on the security categorization the Federal information or information system was assigned using FIPS Publication 199 guidance.

OPM's Chief Information Security Officer approved the Carrier Connect FIPS 199 Security Categorization document in September 2023. Although it was not approved prior to the original Carrier Connect authorization memorandum, which was signed on June 26, 2023, the FIPS 199 Security Categorization document was subsequently approved prior to the signing of the most recent authorization memorandum.

2. System Security Plan

OMB Circular A-130, *Managing Information as a Strategic Resource*, requires a system security plan to be developed for all Federal information systems. The system security plan provides an overview of the system security requirements and describes the controls that are in place or planned to meet those requirements.

OPM's *Security Planning Policy* states that the system security plan is reviewed and approved by the Authorizing Official prior to implementation.

NIST SP 800-37, Revision 2, states that during the initiation phase of the SDLC for new systems, "Security categorization information is documented in the system security plan"

For Federal information systems to be granted an ATO, a senior management official must accept the risks associated with the system. The decision to accept those risks should be based on an assessment of all the security controls that are applicable to the system. The system security plan establishes and documents security controls for the system and is the basis for the authorization. The responsible OPM officials approved the Carrier Connect Security Plan in September 2023, prior to the signing of the most recent authorization memorandum. This allowed the Authorizing Official to have the necessary information to make an informed risk-based decision.

3. Plan of Action and Milestones

A plan of action and milestones (POA&M) is an action plan used by Federal agencies to describe steps that will be taken to remediate control weaknesses that are identified during control assessments, audits, and continuous monitoring. POA&Ms define resource requirements, milestones, and timelines.

OPM has implemented agencywide POA&M procedures to track known IT security weaknesses associated with the agency's information systems. The Authorizing Official must accept the risks associated with a system's control weaknesses or require

that they are remediated first for a system to receive an ATO. POA&Ms are included in a system's authorization package so that the Authorizing Official can ensure there is agreement on the steps that should be taken to remediate all risks, prior to granting an ATO.

We reviewed Carrier Connect POA&Ms as of February 20, 2024, and determined that 52 of the 55 POA&Ms identified in the flash audit alert were now closed.⁹ All three remaining POA&Ms appear to be documented in accordance with OPM procedures. We will continue to monitor and review the Carrier Connect POA&Ms throughout the implementation of the PSHBP.

4. Carrier Connect's Authorization Memorandum

OMB Circular A-130, *Managing Information as a Strategic Resource*, requires all Federal information systems to have a valid authorization. An authorization memorandum is an official management decision to authorize a system to operate and accept its known risks.

The *OPM Security Authorization Guide* states that the Authorizing Official is responsible for approving the A&A package as part of the formal authorization process. OMB Circular A-130, *Managing Information as a Strategic Resource*, states that "At a minimum, the authorization package includes the information system security plan, privacy plan, security control assessment, privacy control assessment, and any relevant plans of action and milestones."

The most recent Carrier Connect authorization memorandum was signed by the Authorizing Official on December 22, 2023, authorizing the system to operate until January 6, 2025. As discussed above, the necessary A&A documentation had been completed and the Authorizing Official was able to make an informed, risk-based decision.

Previously, we recommended that OPM finalize the incomplete Carrier Connect authorization security documentation prior to the expiration of the six-month provisional ATO, which expired on December 26, 2023. As discussed in Sections 1 through 4 above, OPM completed its security documentation prior to the signing of the most recent Carrier Connect authorization memorandum on December 22, 2023.

⁹ The OIG's Flash Audit Alert, Report Number PSHB-085, issued on November 15, 2023.

C. AGILE SCRUM PROCESS

OPM is utilizing the Agile Scrum project management process for the development and implementation of its Carrier Connect system, as well as its Postal Service Health Benefits System¹⁰ (PSHBS). The Agile Scrum process is a framework that provides adaptive solutions for complex problems. It is an agile methodology that uses people, teams, and organizations to break down a complex problem into small interactions and teams to build, test, and deliver customer-driven products. These cross-functional teams work on individual tasks that relate to the overall goal. At specified increments of time, the teams come together to discuss their results, and plan and prioritize the next deliverables.

In monitoring the OPM OCIO's Agile Scrum project management process for Carrier Connect and the PSHBS, we concluded that OPM continues to effectively use the agile approach for both IT systems. Through meetings with the OCIO, we determined that the agile development methodology incorporates two-week sprints,¹¹ which include daily meetings to track ongoing progress throughout the sprints. Quarterly planning sessions, which incorporate teams for both systems, are also held and allow interdependencies to be addressed. We do not have any concerns or issues related to the project management process for these two systems.

Our opinions included in this section of the report are specific to the Agile Scrum process for Carrier Connect and the PSHBS. Any additional concerns related to Carrier Connect, the PSHBS, or other PSHB information technology systems will be assessed in future reports. We will continue to review OPM's Agile Scrum process related to its information technology implementation as part of the PSHBP.

¹⁰ The PSHBS will process all enrollments and changes in enrollments for the PSHB, including open season transactions, qualifying life events, and enrollments for those newly eligible. It also will allow enrollees to compare and learn about plan options.

¹¹ A sprint is defined as a short, time-boxed period when a scrum team works to complete a set amount of work.



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