
FEHB Program Carrier Letter

Experience-Rated Carriers

U.S. Office of Personnel Management
Office of Insurance Programs

Letter No. 1999-053-A

Date: October 21, 1999

Fee-for-service [47] Experience-rated HMO [45] Community-rated [n/a]

SUBJECT: 1999 Fiscal Year Financial Reporting

I have enclosed the Office of Personnel Management's (OPM) financial reporting instructions for Fiscal Year 1999. As you are aware, this financial information is a requirement of your plan's participation in the Federal Employees Health Benefits Program (FEHBP). It is imperative for contract administration purposes that your fiscal year accounting statement be submitted by December 15, 1999.

Enclosure A, Carrier Financial Information, is a list of selected financial information that must be used in your reporting. Included in Enclosure A is the Letter-of-Credit (LOC) activity for the period October 1, 1998, through September 30, 1999.

Enclosure B is the FEHBP Fiscal Year Reporting Package for **Experience-Rated FEHBP Carriers** for the period October 1, 1998, through September 30, 1999.

The preface to Enclosure B contains a list of required statements and supporting schedules to be submitted. Carriers that have elected to provide an audit of their 1999 fiscal year accounting statement must ensure that the auditor's report, and all additional reports are submitted with the accounting statement.

All carriers subject to "primary coverage" as described in the "FEHBP Experience-Rated Carrier and Service Organization Audit Guide" must provide a report on compliance with laws, regulations and internal controls and agreed-upon-procedures. The due date of your Fiscal Year Accounting Statement is December 15, 1999.

In order to comply with our Treasury reporting requirements, however, an Estimated Summary Statement for the fiscal year ending September 30, 1999, must be submitted in advance. This statement is due at OPM no later than November 4, 1999

The Debt Collection Improvement Act of 1996 (DCIA) provides that a debt owed to the United States that has been delinquent for a period of 180 days or more shall be subject to administrative offset. Effective August 26, 1999, all payments to carriers, including amounts drawn down from the letter-of-credit accounts (LOCAs) for experience-rated plans, will be subject to the administrative offset provisions of the DCIA.

Anne G. Spitz

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The amounts paid to carriers by OPM as premiums or drawn from LOCAs may be reduced by the Treasury to satisfy amounts owed by carriers to other Federal entities. However, carriers are required to report the gross amount of LOCA drawdowns on their annual and fiscal year accounting statements rather than the net amount received. Thank you in advance for your timely and accurate accounting statement submission.

Sincerely,

(signed)
Frank D. Titus
Assistant Director
for Insurance Programs

2 Enclosures

ENCLOSURE A

Carrier Code:

Carrier Name:

The Office of Personnel Management's records show the following financial information for the period October 1, 1998 through September 30, 1999. Please compare the Letter-of-Credit (LOC) activity to your records and notify us of any differences.

		TOTAL
1. PROGRAM INCOME		
a. LOC Authorizations:		
1) Semimonthly Premiums		\$0.00
2) Interest		\$0.00
b. Accrued Income 09/30/98:		
1) Semimonthly Premiums		\$0.00
2) Interest		\$0.00
c. Accrued Income 09/30/99:		
1) Semimonthly Premiums		\$0.00
2) Interest		\$0.00
d. Total Program Income		<u> </u>
		\$0.00
2. HEALTH BENEFIT CHARGES		-----
Accrued but Unpaid		
09/30/98(a):		\$0.00
3. SPECIAL RESERVE		
Balance as of 09/30/98(b):		\$0.00
4. LOC ACTIVITY		
a. Beginning LOC Balance		\$0.00
b. Plus: Total LOC Auth.		\$0.00
c. Minus: LOC Drawdowns		\$0.00
d. Adjustments:		\$0.00
1) Add: Contingency		
Reserve Payments		\$0.00
2) Deduct: Withdrawal of		
Excess Reserves		\$0.00
e. Available Balance in		<u> </u>
LOC Account		\$0.00

Plan-specific data will be added by FMD before mailing.

- a. This should agree with line 2b(2) on your prior fiscal year accounting statement.
- b. This should agree with line 5g on your prior fiscal year accounting statement.

FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM

EXPERIENCE-RATED CARRIERS

ESTIMATED SUMMARY STATEMENT

September 30, 1999

**INSTRUCTIONS FOR PREPARING:
ESTIMATED SUMMARY STATEMENT OF FEHBP FINANCIAL OPERATIONS**

Round all amounts to the nearest whole dollar and ensure they add to the totals.

1. PROGRAM INCOME: Enclosure A of the covering letter shows the Letter-of-Credit (LOC) authorizations recorded by OPM for your plan during the period October 1, 1998 through September 30, 1999. Please compare the information provided to your records and immediately notify Samuel Arsers, of our Benefits Accounting Branch on (202) 606-4189 or Melanese Matthews on (202) 606-4498 of any differences.

Carrier Interest Income: Your contract states that all funds in excess of those needed to promptly discharge the obligations of the contract should be invested. Report all interest earned on these funds on line 1e. Do not report interest earned on your Letter-of-Credit account on this line.

2. ESTIMATED HEALTH BENEFITS CHARGES:

- a Paid: Show the amount of cash payments for health benefits charges for the period October 1, 1998 through September 30, 1999.
- b Accrued but Unpaid:

- 1). Beginning: Line 2 of Enclosure A of the covering letter shows the ending health benefits accrual reported on your September 30, 1998 fiscal year accounting statement. This figure is to be used on line 2b(1) of this year's ESTIMATED SUMMARY STATEMENT.
- 2). Ending: Show the charges incurred but unpaid as of September 30, 1999. Attach a schedule showing the development of the unreported health benefit charges.
 - a Total: The sum of lines 2a, 2b(1) and 2b(2).

3. ESTIMATED ADMINISTRATIVE EXPENSES: If your plan has high and standard options, show the basis and amounts used for prorating administrative expenses between the two options.

- b Paid: Should agree with the amount stated on the Consolidated Statement of FEHBP Cash Flows.
- c Accrued but Unpaid:

- 1). Beginning: Show on line 3b(1) the amount of the accrued administrative expenses as shown on your prior fiscal year accounting statement.
- 2). Ending: Show on line 3b(2) the amount of accrued administrative expenses as of September 30, 1999.
 - a c. Total: Line 3a. minus line 3b(1) plus line 3b(2).

4. ESTIMATED OTHER EXPENSES AND RETENTIONS:

- b State Statutory Reserve: Report the amount necessary to satisfy state requirements for mandatory statutory reserves for the period October 1, 1998 through September 30, 1999.
- c Reinsurance Expenses: List the amount paid for reinsurance expenses if applicable for the period October 1, 1998 through September 30, 1999.
- d Service Charge: Show on Line 3e, 25 percent of the formula derived contract limitation for calendar year 1998 plus 75 percent of the allowable 1999 service charge.
 - a Other: Other expenses not previously stated.
 - b Total: The sum of lines 3a through 3d.

ESTIMATED SUMMARY STATEMENT OF FEHBP FINANCIAL OPERATIONS CONTINUED:

5. ESTIMATED CHANGES TO SPECIAL RESERVE:

- a Special Reserve, Beginning: The amount of the prior fiscal year accounting statement ending Special Reserve (line 3, of Enclosure A).
- b Gain (Loss) on Operations: This is calculated as follows: (line 1f) - (line 2c) (line 3c) - (line 4e).
- c Prior Period Adjustments: All adjustments made to the current fiscal year report as a result of prior OPM audits or due to any other reasons.
- d Contingency Reserve Payments: Show the amount transferre from the contingency reserve to your LOC account during the period October 1, 1998 through September 30, 1999. (line 4d(1) of Enclosure A.)
- e Return of Excess Reserves: Show the amount of excess reserves withdrawn from your LOC account and transferred to the contingency reserve during the period October 1, 1998 through September 30, 1999 (line 4d(2), of Enclosure A).
- f Other: Show on line 5f any transfers or other additions or subtractions to the special reserve during fiscal 1999.
- g Estimated Special Reserve, Ending: The total of lines 5a, b, c, d, e and f.

ENCLOSURE B

FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM

EXPERIENCE-RATED CARRIERS

FISCAL YEAR ACCOUNTING INSTRUCTIONS

As of September 30, 1999

Instructions for Preparing:SUMMARY STATEMENT OF FEHBP FINANCIAL OPERATIONS

Round all amounts to the nearest whole dollar and ensure they add to the totals.

1. PROGRAM INCOME: Enclosure A of the covering letter lists Letter-of-Credit (LOC) authorizations recorded by OPM for your plan during the period October 1, 1998 through September 30, 1999. Please compare the information provided to your records and immediately notify Samuel Arsers, of our Benefits Accounting Branch on (202) 606-4189 or Melanese Matthews on (202) 606-4498 of any differences.

Carrier Interest Income: Your contract states that all funds in excess of those needed to promptly discharge the obligations of the contract should be invested. Report all interest earned on these funds on line 1e. Do not report interest earned on your Letter-of-Credit account on this line.

2. HEALTH BENEFITS CHARGES:

- a Paid: Should agree with the "TOTAL" in Part D of the "**Health Benefits Charges Paid**" Schedule 1.
- b Accrued but Unpaid:

- 1) Beginning: Line 2 of Enclosure A of the covering letter shows the ending health benefits accrual reported on your September 30, 1998 fiscal year accounting statement. This figure is to be used on line 2b(1) of this year's SUMMARY STATEMENT. Attach a schedule showing the monthly liquidation of the September 30, 1998 accrual.
- 2) Ending: Show the charges incurred but unpaid as of September 30, 1999. Attach a schedule showing the development of the unreported health benefit charges. All assumptions, judgement factors and estimates should be supported and all sources of data identified.

- c Total: The sum of lines 2a, 2b(1) and 2b(2).

3. ADMINISTRATIVE EXPENSES: If your plan has high and standard options, show the basis and amounts used for prorating administrative expenses between the two options.

- a Paid: Should agree with the amount stated on the Statement of Cash Flows.
- b Accrued but Unpaid:

- 1) Beginning: Show on line 3b(1) the amount of the accrued administrative expenses as shown on your prior fiscal year accounting statement.
- 2) Ending: Show on line 3b(2) the amount of accrued administrative expenses as of September 30, 1998.

- c Total: Line 3a. minus line 3b(1) plus line 3b(2).

Instructions for preparing **SUMMARY STATEMENT** continued:

4. OTHER EXPENSES AND RETENTIONS:

- a State Statutory Reserve: Report the amount necessary to satisfy state requirements for mandatory statutory reserves for the period October 1, 1998 through September 30, 1999. Attach a schedule showing in detail the development of the charges or credits for this retention.
- b Reinsurance Expenses: List the amount paid for reinsurance expenses if applicable for the period October 1, 1998 through September 30, 1999.
- c Service Charge: Show on Line 3e, 25 percent of the formula derived contract limitation for calendar year 1998 plus 75 percent of the allowable 1999 service charge
- d Other: Other expenses not previously stated.
- e Total: The sum of lines 3a through 3e.

5. CHANGES TO SPECIAL RESERVE:

- a **Special Reserve, 09/30/98:** The amount of the prior fiscal year accounting statement ending Special Reserve (line 3, of Enclosure A).
- b **Gain (Loss) on Operations:** This is calculated as follows: (line 1f) - (line 2c) - (line 3c) - (line 4e).
- c **Prior Period Adjustments:** All adjustments made to the current fiscal year report as a result of prior OPM audits or due to any other reasons. These adjustments should also be included in your annual accounting statement of December 31, 1999.
- d **Contingency Reserve Payments:** Show the amount transferred from the contingency reserve to your LOC account during the period October 1, 1998 through September 30, 1999. (line 4d(1) of Enclosure A.)
- e **Return of Excess Reserves:** Show the amount of excess reserves withdrawn from your LOC account and transferred to the contingency reserve during the period October 1, 1998 through September 30, 1999 (line 4d(2), of Enclosure A).
- f **Other:** Show on line 5f any transfers or other additions or subtractions to the special reserve during fiscal 1999.
- g **Special Reserve, Ending:** The total of lines 5a, b, c, d, e and f.

Instructions for Preparing Schedule 1

HEALTH BENEFITS CHARGES PAID

Part A: Monthly Claims Paid

Report in the first column the amount of health benefits charges paid in each month. In the second, third and fourth columns, show a breakdown of the amount reported in the first column by the fiscal year incurred.

Part B: Number of Claims Paid - Self-explanatory.

Part C: Types of Claims Paid

If possible, separate claims paid into hospitalization, physicians, and other claims.

Part D: Reconciliation of Health Benefit Charges Paid.

Self-explanatory.

July 1998

Dear Carrier:

To improve our management of the Federal Employees Health Benefit Program (FEHBP), we have published the enclosed "FEHBP Experienced-Rated Carrier and Service Organization Audit Guide" (Guide). The Guide provides authoritative guidance for the audit of the Annual Accounting Statement (AAS) submitted by all experienced-rated carriers (ERCs). It requires all ERCs to engage a certified independent public accounting (IPA) firm to perform specified procedures on the AAS and general control environment.

Engagement Reporting Options

All carriers must submit an AAS for the accounting periods ending September 30 and December 31. However, carriers may choose to obtain an audit of the AAS for either accounting period.

Primary coverage. Carriers with FEHBP claims expense of \$40 million or more in the previous contract (calendar) year are required to submit an audited AAS as of either September 30 or December 31. In addition, these carriers must provide a report on compliance with laws, regulations and internal controls, in accordance with either attestation standards or generally accepted government auditing standards, and agreed-upon-procedures.

Secondary coverage. Carriers with FEHBP claims expense of less than \$40 million in the previous contract (calendar) year are required to submit an AAS as of either September 30 or December 31. It is important to note that the AAS submitted by carriers, ordinarily subject to secondary coverage will, at the contracting officer's discretion, be made subject to primary coverage on a rotational basis at a frequency not less than every five (5) years.

Primary Coverage Engagement Options

For maximum flexibility, the Guide provides four options for meeting the primary coverage requirements. Each carrier subject to primary coverage should have submitted their selected option in writing to its contracting officer by **May 31, 1998**. The options are outlined in Chapter 1 of the audit guide. Carriers may **not** switch among options from year to year without advance approval from OPM.

Effective Date

These requirements are effective beginning for the year ended either December 31, 1997 or September 30, 1998, depending on the reporting option period chosen by the carrier. Related reports are due by March 31 for the period ending December 31 or December 15 for the period ending September 30.

We are willing to discuss modifications to the required delivery dates of the AAS and related audit reports, if you are contemplating audits as of December 31, 1997. Requests for extensions must be submitted to your contract officer in writing and they must provide a complete description of the reasons for the extension. If you have already been granted an extension for audits as of December 31, 1997, you need not reapply.

Submit 2 copies of all reports to:

U.S. Office of Personnel Management
Retirement and Insurance Service
1900 E Street NW., Room 3H19
Washington, DC 20415-0001

Attn: Financial Management Division

Questions and requests for the guide may be faxed to the Office of the Inspector General at (202) 606-2842 or mailed to:

U.S. Office of Personnel Management
Office of the Inspector General
1900 E Street NW., Room 6400
Washington, DC 20415-0001

Attn: Audits

We look forward to working with you on this important initiative.

Harvey D. Thorp
Assistant Inspector General for Audits

Frank D. Titus
Assistant Director for Insurance Programs

**U.S. Office of Personnel Management
Office of the Inspector General and Retirement and Insurance
Service**

June 1998

**FEHBP EXPERIENCED-RATED CARRIER
and
SERVICE ORGANIZATION AUDIT GUIDE**

TOPICS

Financial Statement Audits

Reporting on Internal Controls and Compliance with Laws and Regulations

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CHAPTER I

REPORTING REQUIREMENTS AND OTHER CONSIDERATIONS

PURPOSE OF THE AUDIT GUIDE

Objectives

Overall objectives of OPM in implementing these financial audit, internal control and compliance review and agreed-upon procedure requirements are to gain the following assurances:

- A. Carrier's calendar or fiscal year Federal Health Benefits Program (FEHBP) Annual Accounting Statements (AAS) are fairly stated in all material respects in accordance with the Office of Personnel Management's (OPM) prescribed accounting practices.
- B. Carrier management's assertions, supported by an independent public accountant's (IPA) report, on the effectiveness of the entity's internal controls over compliance with the FEHBP contract is fairly stated.
- C. Carrier reported fiscal year activity is reasonably complete and accurate, and processed in accordance with the FEHBP contract requirements.
- D. Service organization(s) has suitably designed and effectively operating internal control systems over FEHBP processed activity.

USE OF THIS GUIDE

This guide must be used by experienced-rated carriers (ERCs) participating in the FEHBP.

This guide is divided into five sections.

Chapter I provides general information about engagement requirements and addresses the purpose of the Guide, the scope of required engagements, management and practitioner responsibilities, reporting, effective dates, examination periods and due dates.

Chapter II describes assertions to be made by management regarding the effectiveness of internal controls over, and management's compliance with, the FEHBP contract, and provides suggested examination procedures for selected assertions.

Chapter III provides FEHBP program-related procedures and FEHBP financial information roll forward procedures and related reporting requirements and other matters.

Chapter IV provides guidance over reviews of internal controls at service organizations.

AUTHORIZATION

The FEHBP contracts, as amended, require each participating ERC to prepare an AAS and supplemental information at specified times, and subject this information to audit and other audit related procedures.

These contracts also require that the audits and audit related procedures be performed by a qualified, independent certified public accountant.

Accounting Requirements - See Appendix A.

ERC REPORTING REQUIREMENTS

The Guide requires, depending upon the reporting option chosen by the carrier, that:

A. Carriers with claims greater than \$40 million select from the following options:

	September 30	December 31				
	Option 1	Option 2		Option 3	Option 4	
	GAS	GAGAS	DUE DATES	GAS	GAGAS	DUE DATES
Reports Prepared by IPA:						
1. Financial audit of AAS	x	x	December 15	x	x	March 30
2. SSAE 3	x	-	December 15	x	-	March 30
3. Agreed-upon procedures:						
a. Program	x	x	-	x	x	December 15
b. Roll forward	-	-	December 15	x	x	December 15
4. Unaudited AAS for:						

a. Fiscal year ending 9/30	-	-	-	x	x	December 15
b. Fiscal year ending 12/31	x	x	March 30	-	-	-
5. Third party service organization control test	For guidance SAS No.70 is referenced		For guidance SAS No.70 is referenced			
Reports Prepared by Carrier:						
6. Corrective action plan	x	x	March 30	x	x	June 30

B. Carriers with claims less than \$40 million must only do lines No. 1 above for FEHBP activity and No. 4 unless otherwise notified by OPM.

Generally, in addition to performing the engagement at either September 30 or December 31, the engagements may be performed in conformity with either Generally Accepted Auditing Standards (GAS), including Attestation Standards where applicable, or Generally Accepted Government Auditing Standards (GAGAS).

Option 1

This engagement would be performed on the September 30 AAS in accordance with GAS. The AAS and all audit reports must be received by OPM no later than **December 15**. Additionally, this engagement requires:

- A. Statements on Standards for Attestation Engagements (SSAE) No. 3 (attestation engagement) related to specified management assertions about the carrier’s compliance with the FEHBP contract for the period ending September 30.
- B. The application of specified agreed-upon procedures as of September 30.
- C. The procedures necessary to assess service organization controls related to FEHBP activity, if applicable. The IPA may consider the use of a service organization auditors report
- D. Unaudited AAS as of December 31.

Option 2

This engagement would be performed at September 30 in accordance with GAGAS. The AAS and all audit reports must be received by OPM no later than **December 15**. Additionally, this engagement requires:

- A. The application of specified agreed-upon procedures as of September 30.
- B. The procedures necessary to assess service organization controls related to the FEHBP if applicable. The IPA may consider the use of a service organization auditors report.
- C. A report on compliance with laws, regulations and internal controls.
- D. Unaudited AAS as of December 31.

Option 3

This engagement would be performed at December 31 in accordance with GAS. The AAS and all audit reports must be received by OPM no later than **March 31**. Additionally, this engagement requires:

- A. An attestation engagement related to specified management assertions about the carrier's compliance with the FEHBP contract for the period ending December 31.
- B. The application of two sets of specified agreed-upon procedures; one, as of September 30 and, the second, as of December 31.
- C. The procedures necessary to assess service organization controls related to health benefits program activity, if applicable. The IPA may consider the use of a service organization auditors report.
- D. Unaudited AAS as of September 30.

Option 4

This engagement would be performed at December 31 in accordance with GAGAS. The AAS and all reports must be received by OPM no later than **March 31**. Additionally, this engagement requires:

- A. The application of two sets of specified agreed-upon procedures; one, as of September 30 and, the second, as of December 31.

- B. The procedures necessary to assess service organization controls related to FEHBP activity, if applicable. The IPA may consider the use of a service organization auditors report.
- C. A report on compliance with laws, regulations and internal controls.
- D. Unaudited AAS as of September 30.

CORRECTIVE ACTION PLAN

Management Reporting Responsibilities Defined

Management Assertions (if GAGAS is not applied). Carrier management is required to make written assertions about the carrier's compliance with specified FEHBP contract requirements and the effectiveness of the carrier's internal control over compliance with those requirements.

Corrective Action Plan. To assist OPM to resolve deficiencies in financial statements, internal controls and contract compliance, a carrier or service organization must develop and submit a corrective action plan directly to OPM within 90 days of report issuance. The corrective action plan, an essential part of the report requirement for the FEHBP, is prepared by the carrier or service organization management, and is presented on the entity's letterhead and includes the name, title, and telephone number of the responsible carrier or service organization official. In the plan, management:

- A. Describes the corrective action taken or planned in response to findings identified in the practitioner's report.
- B. Comments on the status of corrective action taken on the findings included in the practitioner's two prior reports.

See Appendix B, Example 5, for a suggested plan format.

Practitioner Reporting Responsibilities For Other Than Financial Statement Audits

Attestation Reports. SSAE No. 3 provides overall guidance on reports. See Appendix B for pro forma reports.

Agreed-Upon Procedures Reports. SAS No. 75 provides overall guidance on reports. See Appendix B for pro forma reports.

Deficiencies in Carrier's Internal Controls

For carriers: For carriers electing reporting Options 1 and 3, paragraphs .62 and .63 of SSAE No. 3 describe the practitioner's responsibility to communicate internal control structure deficiencies identified during the attestation engagement. In addition, paragraphs .35-.39 provide the practitioner with guidance regarding reportable conditions and material weaknesses. For carriers electing reporting Options 2 or 4 (GAGAS options), refer to the GAO's Government Auditing Standards, 1994 Revision (Yellow Book).

For service organizations: Service organization management is encouraged to engage a practitioner to perform a SAS No. 70 (Report on the Processing of Transactions by Service Organizations) review that reports on the internal control policies and procedures placed in operation and tests of operating effectiveness, or the carrier's IPA may perform procedures to determine the effectiveness of the service organization's controls. Practitioners should consider the testing and reporting requirements contained in the Codification of Statements on Auditing Standards, AU sec. 324, Reporting on an Entity's Internal Control Structure over Financial Reporting.

Follow-up on Audit Resolution Matters: Paragraph 4.10 of Government Auditing Standards require practitioners to:

- A. Follow up on known material findings and recommendations from previous audits to determine whether timely and appropriate corrective action has been taken.
- B. Report the status of uncorrected material findings and recommendations from prior audits.

Practitioners must report on the status of material findings and related recommendations contained in prior reports by the practitioner or by other practitioners that are related to the carrier's or service organization's participation in the FEHBP.

Practitioners do not have to report on the specific status of findings or recommendations from OPM program reviews or other engagements which were not OPM required examinations or audits (opinion-level engagements). An illustrative report is shown in Appendix B, Example 1, of this guide.

We anticipate requirements of this guide will serve as the basis for establishing certain performance measures which will be used to evaluate carriers and service organizations.

MANAGEMENT RESPONSIBILITIES AND ASSERTIONS

Among other management responsibilities discussed in this guide, carrier management is responsible for:

- A. Preparing the Annual Accounting Statements as of and for the period ending September 30 and December 31.
- B. Complying with FEHBP contract requirements.
- C. Establishing and maintaining effective internal controls.
- D. Evaluating and monitoring the effectiveness of internal controls

- E. Providing the audit practitioner with their written representations (See Chapter II), in a separate report, about all matters in paragraph 70 of SSAE No. 3 (not required if audit is performed in accordance with GAGAS).
- F. Maintaining accounting records for 5 years after contract year end.

Management must comply with the above requirements to avoid being in default of its FEHBP contract.

PRACTITIONER QUALIFICATIONS AND RESPONSIBILITIES

Following is a discussion of the standards audit practitioners must follow and guidance on applying those standards in the engagements required by this guide.

Qualifications and General Standards. The FEHBP contract requires a combination of annual financial audits, reports on internal controls and compliance with laws and regulations, attestation reports, reports on agreed-upon procedures and reviews of service organization activities to be conducted by a qualified, independent public accountant in accordance with GAGAS or GAS. Therefore the engagements must be performed by a licensed certified public accountant ("practitioner") who meets the general standards of qualification, independence, due professional care and quality control. For GAGAS audits, refer to Chapter 3 of the Yellow Book for continuing professional education requirements. In part, those standards require practitioners and audit firms to comply with the applicable provisions of the public accountancy laws and rules of the jurisdictions in which they are licensed and where the engagement is being conducted. If the carrier or service organization is located in a state outside the home state of the practitioner, and the practitioner performs substantial field work in the carrier's or service organization's state, the practitioner must document his or her compliance with the licensing requirements of the public accountancy laws of that state. This guide does not impose additional licensing requirements beyond those established by the individual State Boards of Accountancy.

Internal auditors of a carrier or service organization are not independent of the entity while auditing within it and, therefore, their work and reports cannot directly satisfy the reporting requirements of this guide. However, where audit standards allow, internal auditors and their work should be considered by the practitioner. For example, while performing the examination of internal controls discussed in Chapter II of this guide, a practitioner should consider the guidance in SAS No. 65 for use of internal auditors.

Field work and Reporting Standards. The practitioner must follow the field work and reporting standards for financially related audits in accordance with those standards contained in GAS or Chapters 4 and 5, respectively, of GAGAS. If the audit is performed in accordance with GAS, the practitioner must perform a review of and report on the carrier's internal controls and compliance with laws and regulations in accordance with SSAE No. 3.

Engagement Scope. The nature of the carrier or service organization management's written assertions and the scope of the practitioner's engagement may vary depending on whether the carrier contracts with service organizations. All applicable assertions required of management by this guide must be addressed by the practitioner's report.

Engagement Letter. The practitioner must prepare a letter of engagement to communicate to the carrier or service organization the nature of the engagement. The letter must include, at a minimum, the following:

- A. A statement that the engagement is to be performed in accordance with GAGAS, GAS and AICPA Attestation Standards as applicable.
- B. A statement that both parties understand that the U.S. Office of Personnel Management intends to use the practitioner's report to help carry out its responsibilities for oversight of the FEHBP.
- C. A statement that the practitioner is required to provide OPM's contracting officer and Inspector General, as well as the U.S. General Accounting Office (GAO), or their representatives, access to working papers or related documents to review the engagement. Access to working papers includes making necessary photocopies. Practitioners can refer to Interpretation No. 1 of SAS No. 41, titled "Providing Access to or Photocopies of Working Papers to a Regulator," or attestation standards AT 9100 paragraphs 56 to 59, for guidance. Information regarding confidential commercial information that may be contained in working papers and Freedom of Information Act (FOIA) disclosure is provided in the "Working Papers" subsection on page I-10 of this guide.

Obtaining Management Representations. Management representations are required for essentially all of the engagements in this Guide. Specifically, Paragraph 11a of SSAE No. 3 says, in part, a practitioner may perform an examination engagement if management makes written assertions about the entity's compliance with specified requirements. Management's written assertions are the basis for the practitioner's testing and, therefore, are an integral part of the engagement. In addition to the specific assertions identified in the Guide, management must also provide written representations about the matters in paragraph 14 of SSAE No. 3 to the practitioner. Management must provide all written assertions and representations required by the Guide to the IPA.

If management omits any of the required assertions or representations, the practitioner should consider the guidance of paragraph 71 of SSAE No. 3 about restrictions on the scope of the engagement.

Matters Requiring Immediate Action. Practitioners must plan and perform the audit to obtain reasonable assurance about whether financial statements are free of material misstatements, whether caused by error, illegal acts or fraud, in accordance with AICPA SAS No. 82.

As described in paragraph 2, Appendix B of SAS No. 82, the practitioner is required to plan and perform his or her work with due professional care. Due professional care imposes a responsibility upon each professional within an independent auditor's organization to observe the standards on field work and reporting.

As described in Paragraph 38 of SAS 82, whenever the auditor has determined that there is evidence that fraud may exist, that matter must be brought to the attention of an appropriate level of management. This is generally appropriate even if the matter might be considered inconsequential, such as a minor defalcation by an employee at a low level in the entity's organization. Fraud or illegal acts involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the AAS should be reported to the audit committee. Further, consistent with paragraph 40 (a) and (d) of SAS 82, the auditor must disclose possible fraud and illegal acts and management's response to the OPM Inspector General within 30 days from the time disclosure is made to management or the audit committee as appropriate. The practitioner shall submit these reports to the Assistant Inspector General for Audits at the address shown at the end of this section.

For supplemental guidance, consult SAS No. 82, Consideration of Fraud in a Financial Statement Audit, and SAS No. 54, Illegal Acts by Clients.

Due Care and Professional Skepticism. Paragraph 3.26 of GAGAS states due professional care should be used in conducting the audit and in preparing related reports. Practitioners are cautioned against ignoring basic weaknesses in internal controls, performing audit steps mechanically (auditing form over substance), and accepting explanation for audit exceptions without question.

Obtaining an Understanding of Internal Control Structure. SAS No. 78, SSAE No. 3, and Chapter 5 of the Government Auditing Standards provide guidance on understanding, evaluating and testing internal control policies and procedures.

Obtaining Sufficient Evidence and Sampling. The examination procedures suggested in this guide are not intended to be all inclusive. The practitioner is responsible for determining the procedures necessary to form an opinion regarding the financial statements and whether management's assertion regarding the effectiveness of internal controls is fairly stated.

The procedures are not intended to supplant the practitioner's judgment of the work required. Suggested procedures described may not cover all circumstances or conditions encountered. Practitioners should consider Evidential Matter, Codification of Statements on Auditing Standards, AU sec. 326.

The Guide requires samples to be selected in such a way to be representative of the population and period under audit (in the case of service organizations, representative of the carrier clients serviced) and have certain confidence levels and tolerable error rates. Practitioners are encouraged to use guidance contained in the AICPA's Professional Standards, Vol. 1, AU sec. 350, Audit Sampling, and the GAO Financial Audit Manual.

Working Papers. SAS No. 41 and Paragraphs 4.34 through 4.38 of GAGAS address working papers. SAS No. 41, paragraph 5 states working papers ordinarily should include documentation showing (a) the work was adequately planned and supervised; (b) sufficient understanding of the internal control structure was obtained to plan the audit and determine nature, timing and extent of audit tests; and (c) the audit evidence obtained, the auditing procedures applied, and the testing performed have provided sufficient competent evidential matter to afford a reasonable basis for an opinion.

Further, Paragraph 4.35 of GAGAS states the practitioner's working papers should "contain sufficient information to enable an experienced auditor having no previous connection with the audit to ascertain from them the evidence that supports the auditor's significant conclusions and judgments."

Carriers, service organizations or practitioners who deem any of the working paper information to be "confidential commercial information" should take appropriate steps to so designate each working paper containing confidential commercial information.

Such designation may protect its confidentiality if, at a future point of time, a request is made for disclosure of this information under the Freedom of Information Act. "Confidential commercial information" means records that may contain material exempt from release under Exemption 4 of the FOIA (pertaining to trade secrets and commercial or financial information that is privileged or confidential) because disclosure could reasonably be expected to cause substantial competitive harm. Further information regarding the designation of such documents and OPM's Office of Inspector General (OIG) procedures upon receipt of a FOIA request are contained in Appendix E.

Engagement Quality. The OPM OIG has implemented procedures for evaluating work performed by non-federal practitioners. As part of this evaluation, the practitioner shall make working papers available upon request to the Assistant Inspector General for Audits or other representatives of the OIG.

To facilitate these requests, management's reporting package should include an information sheet identifying the name, address, and telephone number of the partner on the engagement (see Appendix A). Working paper reviews will normally take place at the practitioner's office.

Whenever an evaluation of a report or working papers discloses inadequacies, the practitioner may be asked to take corrective action. If OPM determines the report and working papers are substandard or contain significant inadequacies, referral to the AICPA and the cognizant State Board of Accountancy will be considered. OPM may also initiate action to debar the practitioner from further participation in federal programs.

FUTURE REVISIONS

It is the practitioner's responsibility to ensure he/she is using the most current version of this guide. OPM periodically revises the FEBHP reporting requirements and the OPM OIG plans to issue revisions to this Guide to reflect these changes. Until the Guide is revised, inconsistencies may exist between the Guide and FEBHP laws or regulations. Practitioners should follow the FEBHP laws or regulations in effect for the period being examined and modify their procedures to test the FEBHP compliance requirements accordingly.

The practitioner is also responsible for monitoring relevant changes in GAGAS and GAS, including AICPA SASs and SSAEs, and for considering the implications of changes on the engagement.

Technical questions about applying the Guide and suggestions for improving future guides should be sent to:

Assistant IG for Audits
Office of the Inspector General
U.S. Office of Personnel Management
1900 E Street NW., Room 6400
Washington, D.C. 20415-0001

Fax: (202) 606-2842

CHAPTER II

SSAE NO. 3 CARRIER REPORTING

MANAGEMENT ASSERTIONS FOR COMPLIANCE ATTESTATION IN ACCORDANCE WITH SSAE NO. 3

These assertions are made by the management of each experienced-rated carrier participating in the Federal Employees Health Benefits Program (FEHBP). They relate to the effectiveness of the carrier's internal controls over compliance with specified laws and regulations and with the carrier's contract with the Office of Personnel Management (OPM) (See Appendix D). The independent public accountant (IPA), engaged by that carrier, will perform the procedures necessary to express an opinion about whether the assertions are fairly stated in all material respects .

Preamble: The Federal Employees Health Benefits Program is authorized and operates under statute (Title 5, U.S. Code, Chapter 89) and regulation (Title 5, Code of Federal Regulations, Part 890). Carriers participate under the terms of a contract with OPM; the contracts conform with the Federal Acquisition Regulation (FAR), 48 CFR Ch. 1, and the Federal Employees Health Benefits Acquisition Regulations (FEHBAR), 48 CFR Ch. 16.

Assertion 1: Management asserts that controls were in place during the current federal fiscal year to ensure compliance with the contractual requirements for accurate and timely claim payments and coordination of benefits as described in the contract.

Examination considerations: Using the sample test results from the agreed upon procedures for “Accuracy of Claim Payments” and “Timeliness of Claim Payments” from Chapter III, evaluate the errors and determine whether the controls over the accuracy and timeliness of claims payments are adequate.

Assertion 2: Management asserts that controls were in place during the current fiscal year to ensure compliance with the requirements for investing FEHBP funds as specified in section 3.4 of the contract.

Assertion 3: Management asserts that controls were in place during the current fiscal year to ensure that FEHBP funds were not commingled with funds obtained from other sources in accordance with the requirements in Section 3.5 of the contract.

Assertion 4: Management asserts that controls were in place during the current federal fiscal year to ensure compliance with the requirements at 48 CFR 1632.170 (2) and (3) for withdrawing funds from the letter of credit account maintained by OPM for the plan.

Examination considerations: Using the sample test results from the agreed upon procedures for “Letter of Credit (LOC) authorizations” in Chapter III, evaluate the findings reported and determine whether the controls over LOC withdrawals are adequate.

Assertion 5: Management asserts that controls were in place during the current federal fiscal year to ensure that uncashed checks issued to pay for or reimburse the payment of benefits, services or supplies are credited and handled in accordance with Section 3.6 of the contract.

Examination considerations: Using the sample test results from the agreed upon procedures for “Cash and Equivalents” in Chapter III, evaluate the reported findings and determine whether controls over uncashed checks are adequate.

Assertion 6: Management asserts that controls were in place during the current fiscal year to ensure that the requirements for diligent collection of overpaid claims in section 2.3 (g) of the contract are adhered to.

Assertion 7: Management asserts that controls were in place during the current federal fiscal year to ensure that costs charged to the contract were allowable, actual, necessary, and reasonable and were properly justified and supported in accordance with section 3.2 of the contract.

Examination considerations: Using the sample test results from the agreed upon procedures for “Administrative Expenses” in Chapter III, evaluate the reported findings and determine whether controls over administrative expenses are adequate.

Assertion 8: Management asserts that controls were in place during the current federal fiscal year to ensure that enrollment was reconciled with information provided by employers in the form of a quarterly health benefits reconciliation report.

Examination considerations: Using the results of the inspection performed from the agreed upon procedures for “Revenue” in Chapter III, evaluate the reported findings and determine whether controls over subscriber enrollment reconciliations are adequate.

Assertion 9: Management asserts that controls were in place during the current federal fiscal year to ensure that, in accordance with FAR 31.201-5, the applicable portion of any income, rebate, allowance or other credit relating to any allowable cost and received by or accruing to the carrier was credited to the FEHBP either as a cost reduction or by refund. FEHBP credits/refunds result from benefit payments that include, but are not limited to, coordination of benefits, hospital year-end settlements, uncashed and returned checks, utilization reviews, litigation with subscribers or providers of services, and erroneous benefit payments.

Examination considerations: Using the sample test results from the agreed upon procedures for “Refunds” in Chapter III, evaluate the reported findings and determine whether controls over refunds are adequate.

Assertion 10: Management asserts that controls were in place during the current federal fiscal year to ensure that, in accordance with 5 U.S.C. 8909(f)(1), no taxes, fees, or other monetary payment, directly or indirectly, were imposed on FEHBP premiums by any state, the District of Columbia, the Commonwealth of Puerto Rico, or any other political subdivision [48 CFR 1631.205-41].

Assertion 11: Management asserts that controls were in place during the current fiscal year to ensure that, in accordance with FEHBAR 1631.205-73, no interest costs incurred in the administration of the contract were charged to the contract.

Assertion 12: Management asserts that controls were in place during the current fiscal year to ensure that, in accordance with FEHBAR 1631.205-73, no selling costs related to sales promotion or paid to outside entities for enrolling federal subscribers in the plan were charged to the contract.

Assertion 13: Management asserts that controls were in place to ensure that known material findings and recommendations from prior audits were incorporated into a corrective action plan and subsequently forwarded to the Office of Personnel Management.

CHAPTER III

AGREED-UPON PROCEDURES FOR SPECIFIED ELEMENTS, ACCOUNTS, OR ITEMS OF THE FINANCIAL STATEMENT FOR PROGRAM REPORTING (SAS 75)

PROGRAM PROCEDURES

This section of Chapter III contains specific procedures for seven requisite elements to be followed during the audit. Should the carrier's system of accounts and records make the use of these specific procedures inappropriate, the carrier may request OPM to consider alternative procedures designed to produce similar results. The seven requisite elements include the following:

- Health Benefits Charges
- Letter of Credit (LOC) Authorizations
- Cash and Equivalents
- Administrative Expenses
- Revenue
- Refunds
- Provider Charges

Health Benefits Charges

Accuracy of Claim Payments. Stratify the claims-paid universe into five payee subgroups: (1) physician, (2) hospital, (3) pharmacy/prescriptions, (4) subscriber under age 65, and (5) subscriber age 65 or over. Select a judgmental sample of each claim population. The compliance test sample size for Groups 1, 2, 3 and 5 is 157; for Group 4 the test sample size is 93.

For each claim selected, perform the following:

- A. Compare the claimant's name and other identifying information to the carrier's subscriber eligibility files and determine eligibility.
- B. Inspect documentation evidencing accuracy of claim amount.
- C. Inspect documentation evidencing allowability of claim and compare with the terms of the contract.

- D. Compare evidence of claim amount with claim amount recorded in the general ledger or claim amount to check register and then to general ledger.
- E. Inspect documentation supporting proper application of coinsurance.
- F. Inspect documentation supporting proper application of coordination of benefits (COB).

For claim population of subscriber age 65 or over, also perform the following:

- G. Obtain the subscriber history file (for up to 6 months) of subsequent information.
- H. Inspect documentation that identifies other insurance coverages (Medicare B, etc.) impacting COB.
- I. Recalculate COB amounts due OPM for retroactive application of coverage.
- J. Determine whether the amount of the claim and the amount charged to the FEHBP agrees with the amount on the remittance advice to provider, or amount of the check.
- K. Select judgmental sample of COB refunds and determine that they were properly applied to the contract.

Evaluation: Compile the number of errors including monetary amounts found for each subgroup sample and report the claim amounts and error rate as a finding.

Timeliness of Claim Payments. Using the sample derived above, calculate the average number of working days from the date a claim was received to the date it is adjudicated (paid, denied, or a request for further information is sent out), for the given time period, expressed as a cumulative percentage.

Evaluation: If the cumulative percentage of average days for all 5 subgroups exceed the standards expressed in Section 1.9(a)(2)(I), of the standard contract, report the results as a finding.

Letter of Credit Authorizations

Select a sample of 25 withdrawals from the carrier's FEHBP LOC account and using the sample:

- A. Examine the withdrawals and confirm that the amounts withdrawn are supported by claims invoices, administrative expense vouchers or other documentation, and compare the total dollar value of the supporting documentation with the amounts withdrawn.

- B. Inspect withdrawals. Compare the date the checks issued for FEHBP disbursements were actually presented to the carrier's bank with the date of the withdrawals.

Evaluation: Compile the number of times that the dollar value of the LOC withdrawal exceeds the dollar value of the supporting documentation. In each case identified, report the amount of the excess. In addition, compile the number of times that LOC withdrawals occur before checks issued for FEHBP Program disbursements are presented to the carrier's bank.

Cash and Equivalents

- A. Inspect a sample of uncashed FEHBP checks. Identify and tally all checks outstanding for two years. Compare the amounts represented by these checks with the corresponding amounts credited to the FEHBP, and identify those checks that were credited later than the 25th month after issuance or not credited at all.
- B. Inspect a sample of uncashed checks where the FEHBP is a related party. Identify and tally all checks outstanding for two years. Compare the date that amounts representing the FEHBP's allocable share of these checks were credited to the FEHBP with the date of the uncashed checks. Identify those amounts representing FEHBP's allocable share of the checks credited later than the 25th month after issuance or not credited at all.

Evaluation: Compile the number of instances that the FEHBP or FEHBP-related uncashed checks outstanding for two years have not been credited to the FEHBP later than the 25th month after issuance and report the results as a finding.

Administrative Expenses

- A. Stratify the administrative expenses into five subgroups: (1) salaries, (2) fringe benefits, (3) pension costs, (4) post retirement benefits, and (5) all other. Select a judgmental sample of each expense population. The compliance test sample size is 42, sample unit is general ledger transactions, for each subgroup.

For each sample item:

1. Inspect documentation evidencing that each transaction was supported by invoices or other documentation.
2. Compare charges to the criteria prescribed for allowability of charges as defined in the contract cost principles procedures found in 48 CFR, Part 31 and 1631.
3. Inspect documentation evidencing the charges were allocable to the contract, as defined in 48 CFR 31-201-4.

4. Compare charges to the definition of reasonable charges as described in 48 CFR 31.201-3.

Evaluation: Report as a finding all instances where administrative charges made to the FEHBP were not in accordance with the contractual terms or the charges were not supported by appropriate documentation.

- B. Inspect all manual adjustments to administrative expenses made after period-end closing and compare the adjustments with the corresponding supporting documentation.
- C. Inspect all manual adjustments to administrative expenses made after period-end closing and compare the adjusted administrative costs with the charges allowable by 48 CFR, Part 31 and 1631.

Evaluation: Report as a finding all instances where supporting documentation did not exist for manual adjustments and instances where adjusted administrative costs were not allowable charges under the terms 48 CFR, Part 31 and 1631.

- D. Review any nonrecurring items such as gain or loss on sale of assets to insure that the FEHBP was allocated according to 48 CFR 31.205-16.
- E. Review rental charges for five transactions (involving five different properties) according to 48 CFR 31.205-36. Note any items with rental costs; treatment under a sale and leaseback agreement; and charges for rent between any divisions, subsidiaries, or organization under common control.

Evaluation: Report as a finding all instances where amount charged exceeds allowable amounts by more than 3 percent.

Revenue

The carrier is required to maintain records of subscriber enrollment reconciliations with federal payroll offices and to make the information available for inspection by OPM's Inspector General and by the U.S. General Accounting Office.

Inspect the records of subscriber enrollment reconciliations with federal payroll offices and affirm that: (1) all reconciliations were completed quarterly, and (2) all actions were taken to reconcile identified differences within 60 days of the end of the quarter.

Evaluation: Report all instances where enrollment reconciliations are not completed quarterly. Also, report all instances where action to reconcile differences have not occurred within 60 days of the end of the quarter. Identify instances where federal payroll offices fail to respond to carrier efforts to reconcile.

Refunds

- A. Inspect the carrier's accounting policies and procedures used to account for solicited and unsolicited refunds and determine whether the policies and procedures are in accordance with the contract.
- B. Compare the outstanding refunds report to the total refunds reported in the general ledger.
- C. Select a sample of 25 refund transactions (resulting from direct and indirect charges) and perform the following:
 1. Compare refunds allocable to the FEHBP with requirement that refunds be credited to it within 60 days of receipt.
 2. For refunds that were indirectly charged to the FEHBP, but where the proportionate share of the charge or associated refund cannot be identified, compare the FEHBP refund with an amount derived from the application of a percentage (FEHBP's share of the carrier's business proportionate to the carrier's total business) to the total refund amount.

Evaluation: Report as a finding all instances where: the carrier lacks policies and procedures to account for refunds, the outstanding refunds report does not agree with the general ledger; and refunds directly or indirectly associated with the FEHBP are not credited to the program within 60 days of receipt.

Provider Charges

Obtain agreements detailing arrangements the carrier has established with its providers for discounts and settlements.

- A. Inspect payment/pricing methodology and determine if the methodology allows for retroactive settlements to occur.
- B. Inspect a sample of 25 carrier settlements and document and determine whether they are in compliance with provider agreements. Compare the settlement received by the FEHBP with the terms of the agreements.
- C. Tally the number of transactions where amounts resulting from provider discounts/settlements were returned to the FEHBP after 60 days of receipt by the carrier.

Evaluation: Compile the number of instances where the carrier: (1) cannot identify discounts and settlements, (2) does not comply with provider agreements, (3) does not credit the FEHBP in accordance with the terms of the agreements, and (4) does not return funds benefited from the discounts/settlement arrangements within 60 days of receipt by the carrier. Report the results as a finding.

ROLL FORWARD PROCEDURES

Roll forward procedures are to be completed when a carrier chooses either option 3 or 4. These procedures are performed on the September 30 unaudited AAS supporting documentation.

Obtain reconciliations and supporting detailed schedules for all amounts reported in the financial statements.

Review the plan's financial records for the following:

- A. Review the plan's general ledger record of cash (LOC) receipts to verify that the plan received OPM premium payments and that they are recording the receipts properly. Reconcile any differences.
- B. Payments from the plan to providers. Review the plan's general ledger records of claim payments to verify that the plan reimbursed providers and subscribers for the amounts received from OPM. Reconcile any differences.
- C. Charges for administrative expenses. Determine that the administrative expenses reported in the FEHBP financial statements reconcile to the plan's general ledger.

For all schedules (i.e., cash reconciliations or property, plant, and equipment listings) with amounts representing 10 percent or more of the total assets for the balance sheet or 10 percent or more of the total claims on the statement, verify that they agree with the general ledger balances or can be reconciled to the general ledger. The auditor should agree the detailed information contained in the schedules and reconciliations to supporting documentation. Tests should also analyze the next month's transactions for activity relating to the prior period as is done with standard cut-off testing.

CHAPTER IV

SAS No. 70 REVIEWS FOR SERVICE ORGANIZATIONS

This chapter sets forth the suggested federal fiscal year reporting for carriers who use service organization entities to process FEHBP-related transactions. It also provides guidance on the general approach the practitioner should consider in designing and carrying out procedures necessary to report on the controls placed in operation and tests of operating effectiveness.

SERVICE ORGANIZATION REQUIREMENTS

The service organization is encouraged to provide a written representation which includes all elements of AICPA Professional Standards, Vol. 1, AU sec. 324, paragraph 57. Service organizations have responsibility for designing and implementing sufficient internal controls to ensure FEHBP claims are accurately processed in accordance with the terms of the service contract.

If a service organization does not perform for its carrier client all of the functions addressed by a single assertion, that assertion may be modified, but must clearly distinguish responsibilities of the carrier and the service organization, so that their respective written assertions address only the functions each performs.

PRACTITIONER (SERVICE AUDITOR) ENGAGEMENT REQUIREMENTS

The service auditor is responsible for performing the procedures necessary to provide reasonable assurance that during the current federal fiscal year service organization management has:

- A. Designed controls to ensure FEHBP claims are accurately processed in accordance with the terms of the service contract; and
- B. Controls are operating with sufficient effectiveness to provide reasonable assurance FEHBP claims are accurately processed in accordance with the terms of the service contract.

Responsibilities of the service auditors are contained in AICPA Professional Standards, Vol. 1, AU sec. 324, paragraphs 22-24. In addition service auditors should consult paragraphs 41-56 for information on reports on controls placed in operation and tests of operating effectiveness.

CHAPTER V

CONTRIBUTORS TO THIS GUIDE

The Office of Inspector General wishes to express our appreciation for the contributions of time, effort and expertise so generously given by the members of the following government and private entities.

OPM Retirement and Insurance Service

KPMG Peat Marwick, LLP

Baird, Kurtz and Dobson, LLP

Government Employees Hospital Association (GEHA)

Blue Cross and Blue Shield National Capital Area

American Postal Workers Union, Health Plan Department

OPM and the Office of the Inspector General also gratefully acknowledge the assistance provided by all other FEHBP carriers and the public accounting community.

APPENDIX A

CARRIER ANNUAL ACCOUNTING STATEMENT FORMAT

Carrier financial statements should be presented in conformity with the following OPM prescribed statements, which are representative of Generally Accepted Accounting Principles (GAAP) for Health and Welfare Plans (SOP 92-06). The following statements presentation and are for information purposes only. We acknowledge changes may be necessary for each carrier's individual situation and it is the carrier's responsibility to prepare full disclosure financial statements. All supplemental schedules must be completed as detailed.

This guide requires federal fiscal year-end and calendar year-end carrier financial statements and disclosures. However, the following illustrative financial statements and disclosures (pages A-2 through A-12) are calendar year only.

**FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM
FISCAL YEAR ACCOUNTING STATEMENTS
FOR THE PERIOD ENDING SEPTEMBER 30, 1999**

Carrier Name:_____ **Code**_____

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SUMMARY STATEMENT OF FINANCIAL OPERATIONS
FEHBP BALANCE SHEET
STATEMENT OF OPERATIONS
STATEMENT OF CONSOLIDATED CASH FLOWS

A. Financial statements and required supplementary schedules of the FEHBP for the period ending September 30, 1999 and 1998 and independent auditors' report.

Required supplementary schedules include:

- Supplemental Schedule of Administrative Expenses
- Supplemental Schedule of Health Charges Paid
- Supplemental Schedule of Monthly Cash Flows
- Supplemental Schedule of Audit Findings

B. Other reports based on reporting option chosen.

C. Corrective action plan.

**FEHBP BALANCE SHEET
SEPTEMBER 30, 1999 AND 1998**

ASSETS	1999	1998
Cash and Cash Equivalents		
Balance in Letter of Credit (LOC) Account		
Interest Income Receivable		
Program Income Receivable		
Prepaid Expenses		
Other Assets		
TOTAL ASSETS	_____	_____
LIABILITIES		
Health Benefits Accrued but Unpaid		
Accrued Administrative Expenses and Retentions		
Other Accrued Liabilities		
Special Reserve		
TOTAL LIABILITIES WITH SPECIAL RESERVE	_____	_____
<i>See accompanying notes to financial statements.</i>		

**STATEMENT OF OPERATIONS
FOR THE FISCAL YEARS
ENDING SEPTEMBER 30, 1999 and 1998**

<u>1999</u>	<u>1998</u>		
REVENUE:		\$	\$
Letter of Credit (LOC) Authorizations			Net
Investment Income			
Total Revenue		\$	\$
 BENEFITS AND EXPENSES			
Health Benefit Charges		\$	\$
Administrative Expenses			
State Statutory Reserve			
Reinsurance Expenses			
Service Charges			
Other			
Total Benefits and Expenses		\$	\$
 GAIN (LOSS) FROM OPERATIONS			
Special Reserve September 30, 1998		\$	\$
Gain (Loss) from Operations			
Return of Excess Reserves			
Contingency Reserve Payments			
Other			
Special Reserve September 30, 1999		\$	\$

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS (Continued from previous page)

CASH FLOWS FROM INVESTMENT ACTIVITIES

Proceeds from Sale of Investments	\$	\$
Net Cash Provided by Investing Activities		
	_____	_____

NET INCREASE IN CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents at the Beginning of Year	\$	\$
Cash and Cash Equivalents at the End of Year	\$	\$
	_____	_____

See accompanying notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS
ENDED SEPTEMBER 30, 1999 AND 1998**

**SUPPLEMENTAL SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 1999 AND 1998**

ADMINISTRATIVE EXPENSES	1999	1998
Rent		
Salaries		
Employee Benefits		
Furniture and Equipment		
Maintenance		
Equipment Rental		
Printing, Stationery and Supplies		
Travel		
Postage		
Telephone & Telegraph		
Private Wire System		
Auditing Services		
Legal Services		
Consulting & Professional		
Payroll Taxes		
Utilities		
Insurance		
LOC Bank Charges		
Cost Containment		
Other		
TOTAL	<hr/>	<hr/>

See accompanying independent auditors' report

**SUPPLEMENTAL SCHEDULE OF MONTHLY CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1999**

High Option
Standard Option_____

**SUPPLEMENTAL SCHEDULE OF HEALTH BENEFIT CHARGES PAID
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1999**

PART A - Monthly Claims Paid

<u>MONTH</u>	AMOUNT PAID	<u>YEAR INCURRED</u>		<u>FISCAL YEAR</u> 1997 - PRIOR
		10/01/98 09/30/99	10/01/97 09/30/98	
October	\$	\$	\$	\$
November				
December				
January				
February				
March				
April				
May				
June				
July				
August				
September				
Total	\$	\$	\$	\$

PART B - Number of Claims Paid

	FISCAL YEAR INCURRED		
	FISCAL 1999	FISCAL 1998	1997 - <u>PRIOR</u>
TOTAL			

(Continued Next Page)

**SUPPLEMENTAL SCHEDULE OF HEALTH BENEFIT CHARGES PAID
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1999** (Continued from previous page)

PART C - Types of Claim Paid

TOTAL	HOSPITALIZATION	PHYSICIANS	OTHER

PART D - Reconciliation of Health Benefit Charges Paid

Total Claims Paid from Part A <i>(above)</i>		\$
Less: Reinsurance Recovery		
Other Adjustments <i>(explain)</i>		
TOTAL (Summary Statement)	\$ _____	

See accompanying independent auditors' report.

CARRIER _____

CODE _____

**SUPPLEMENTAL SCHEDULE OF AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1999**

AUDIT NUMBER AND ASSOCIATED YEAR:

\$

TOTAL

\$

APPENDIX B

SAMPLE PRACTITIONER REPORTS - For Selected Requirements

1. ILLUSTRATIVE REPORT ON CARRIER MANAGEMENT'S ASSERTIONS ABOUT EFFECTIVENESS OF CONTROLS OVER COMPLIANCE WITH FEHBP CONTRACT REQUIREMENTS

Independent Accountants' Report

Office of Personnel Management
Carrier Audit Committee
Carrier X
City, State ZIP Code

We have examined management's assertions about the requirements listed in Chapter II of the Audit Guide about *[name of carrier]*'s compliance with its contract with the Office of Personnel Management and the effectiveness of the internal controls over compliance with those requirements during the year ended *[September 30 or December 31]*. Management is responsible for *[name of carrier]*'s compliance with those requirements. Our responsibility is to express an opinion on management's assertions about the carrier's compliance based on our examination.

Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants, and, accordingly, included examining, on a test basis, evidence about *[name of carrier]*'s compliance with these requirements and performing other such procedures we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on *[name of carrier]*'s compliance with specified requirements.

[Unqualified]

In our opinion, management's assertions that the *[name of carrier]* complied with the aforementioned requirements for the year ended *[September 30 or December 31]* is fairly stated, in all material respects.

[Qualified]

Our examination disclosed the following material noncompliance with *[compliance requirement]* applicable to *[name of carrier]* during the year ended *[September 30 or December 31]*. *[Describe noncompliance]*.

In our opinion, except for the material noncompliance described in the third paragraph, management's assertions that the [name of carrier] complied with the aforementioned requirements for the year ended [September 30 or December 31] is fairly stated, in all material respects.

[Adverse]

Our examination disclosed the following material noncompliance with [compliance requirement] applicable to [name of carrier] during the year ended [September 30 or December 31]. [Describe noncompliance].

In our opinion, because of the material noncompliance described in the third paragraph, management's assertions that the [name of carrier] complied with the aforementioned requirements for the year ended [September 30 or December 31] is not fairly stated.

(Date)

2. ILLUSTRATIVE REPORT ON AGREED-UPON PROCEDURES (AU Section 622.34)

Office of Personnel Management

We have performed the procedures enumerated below, which were agreed to by the audit committees and management of OPM and carrier x, solely to assist you in evaluating the accompanying Annual Accounting Statement for the period ending September 30, 19xx. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are enumerated in the listing of engagement procedures accompanying this report. Findings obtained from performing these procedures are presented in the accompanying schedule of findings and questioned amounts.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on the accompanying Annual Accounting Statement of carrier X. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of OPM and the audit committee and management of carrier X, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

3. ILLUSTRATIVE SCHEDULE OF FINDINGS AND QUESTIONED AMOUNTS

Schedule of Findings for Agreed-Upon Procedures

Area	Description of Findings	\$ Questioned
Claims Enrollment Records	Describe in detail the noted finding	\$10,000 Unknown

4. ILLUSTRATIVE COMMENTS ON RESOLUTION OF PRIOR YEAR'S EXAMINATION FINDINGS

Finding No 1: In an examination performed by the [name of audit entity] dated [mm/dd/yy] and titled [name of report], in tests of claims paid, the carrier did not properly coordinate payment of benefits. The FEHBP was overcharged by \$xx.

Status: As of [mm/dd/yy] the carrier has not reimbursed the FEHBP for these claims or recorded proper accounting entries to record payable to the FEHBP.

NOTE: The chart in No.2 could be modified to incorporate these two items, and thereby minimize duplication of efforts.

5. ILLUSTRATIVE SAS No. 70 REPORT REGARDING SERVICE ORGANIZATION MANAGEMENT'S ASSERTIONS (AU 324.39)

We have examined the accompanying description of controls related to the claims processing and payment applications of ABC service organization. Our examination included procedures to obtain reasonable assurance about whether: (1) the accompanying description presents fairly, in all respects, the aspects of ABC service organization's controls that may be relevant to a user organization's internal control as it relates to an audit of financial statements, (2) the controls included in the description were suitably designed to achieve the control objectives specified in the description, if those controls were complied with satisfactorily, and (3) such controls had been placed in operation as of September 30, 19xx. The control objectives were specified by ABC service organization.

In our opinion, the accompanying description of the aforementioned application presents fairly, in all respects, the relevant aspects of ABC service organization's controls that had been placed in operation as of September 30, 19xx.

Also, in our opinion, the controls, as described are suitably designed to provide reasonable assurance that the specified control objectives would be achieved if the described controls were complied with satisfactorily.

In addition to the procedures we considered necessary to render our opinion as expressed in the previous paragraph, we applied tests to specific controls, listed in Schedule X, to obtain evidence about their effectiveness in meeting the control objectives, described in Schedule X, during the period from October 1, 19x1 to September 30, 19x2. The specific controls and the nature, timing, extent, and results of the tests are listed in Schedule X. This information has been provided to user organizations of ABC service organization and to their auditors to be taken into consideration, along with information about the internal control at user organizations, when making assessments of control risk for user organizations. In our opinion the controls that were tested, as described in Schedule X, were operating with sufficient effectiveness to provide reasonable, but not absolute, assurance that the control objectiveness specified in Schedule X were achieved during the period from October 1, 19x1 to September 30, 19x2.

The relative effectiveness and significance of specific controls at ABC service organization and their effect on assessments of control risk at user organizations are dependent on their interaction with the controls and other factors present at individual user organizations. We have performed no procedures to evaluate the effectiveness of controls at individual user organizations.

The description of controls at ABC service organization as of September 30, 19xx, and information about tests of the operating effectiveness of specified controls covers the period from October 1, 19x1 to September 30, 19x2. A projection of such information to the future is subject to the risk that, because of change, the description may no longer portray the system in existence. The potential effectiveness of specified controls at the service organization is subject to inherent limitations and, accordingly, errors or irregularities may occur and not be detected. Furthermore, the projection of any conclusions, based on our findings, to future periods is subject to the risk that changes may alter the validity of such conclusions.

This report is intended solely for use by the management of the ABC service organization, its customers, and the independent auditors of its customers.

6. ILLUSTRATIVE CORRECTIVE ACTION PLAN FOR MATERIAL WEAKNESSES OR FINDINGS

Corrective Action Plan

(Prepared by carrier or service organization)

Name of carrier or service organization:

Official responsible for plan:

Phone number:

Audit Period:

Practitioner/Audit firm:

A. Comments on findings and recommendations

The carrier, should provide a statement of concurrence or nonconcurrence with each finding and recommendation. For instances of nonconcurrence, the carrier should provide documentation to support their position.

B. Actions taken or planned

The carrier should develop a detail action plan to correct or resolve all practitioner findings. The plan should include expected correction date(s) and name of official responsible for corrective actions.

C. Status of corrective actions for prior year findings

The carrier, should document status of all prior year findings and the related corrective actions including changes in corrective action, and expected dates of completion.

APPENDIX C

DEFINITIONS AND ACRONYMS

Carrier: a voluntary association, corporation, partnership, or other non-governmental organization which is lawfully engaged in providing, paying for, or reimbursing the cost of health services under group insurance policies or contracts, medical or hospital services agreements, membership or subscription contracts, or similar group arrangements, in consideration of premiums or other periodic charges payable to the carrier, including a health benefits plan duly sponsored or underwritten by an employee organization.

Service organization: any organization that provides claims processing or claims related service(s) to a FEBHP carrier as defined above.

<i>AICPA</i>	American Institute of Certified Public Accountants
<i>AIGA</i>	Assistant Inspector General for Audits
<i>BCBS</i>	Blue Cross Blue Shield
<i>CFR</i>	Code of Federal Regulations
<i>CFO Act</i>	Chief Financial Officers Act of 1990
<i>CPA</i>	Certified Public Accountant
<i>ERC</i>	Experienced-rated Carriers
<i>FOIA</i>	Freedom of Information Act
<i>GAGAS</i>	Generally Accepted Government Auditing Standards
<i>GAO</i>	U.S. General Accounting Office
<i>GLS</i>	General Ledger System
<i>IC</i>	Internal Control
<i>LOC</i>	Letter of Credit
<i>MOU</i>	Memorandum of Understanding
<i>OFCM</i>	Office of Financial Control and Management
<i>OIG</i>	Office of the Inspector General
<i>OMB</i>	Office of Management and Budget
<i>OPM</i>	Office of Personnel Management
<i>QIT</i>	Quality Improvement Team
<i>SAS</i>	AICPA's Statement on Auditing Standards
<i>SSAE</i>	AICPA's Statements on Standards for Attestation Engagements

AUTHORITATIVE REFERENCES

Generally Accepted Accounting Principles (GAAP)
GAO's Government Auditing Standards (Yellow Book)/Generally Accepted Government Auditing Standards (GAGAS)
Generally Accepted Auditing Standards (GAS)
SAS No. 41, Working Papers
Interpretation No. 2 of SAS No. 41, Providing Access to or Photocopies of Working Papers to a Regulator
SAS No. 54, Illegal Acts by Clients
SAS No. 65, The Auditor's Consideration of the Internal Audit Function in an Audit of Financial Statements
SAS No. 70, Reports on the Processing of Transactions by Service Agents
SAS No. 78, Consideration of Internal Control in a Financial Statement Audit: An Amendment to SAS No. 55
SAS No. 82, Consideration of Fraud in a Financial Statement Audit
SSAE No. 3, Compliance Attestation
SSAE No. 4, Agreed-Upon Procedures Engagements

APPENDIX D

LAWS AND REGULATIONS, AND CONTRACT TERMS TO BE TESTED FOR COMPLIANCE

1. *Enrollment reconciliations.*
2. *Claims benefit payments.*
3. *Coordination of benefits.* OPM expects all Federal Health Benefits Program plans to coordinate benefits. (48 CFR- 1604.70.)
4. *Carrier investment of FEHBP funds.* The carrier is required to invest and reinvest all funds on hand, including any attributable to the special reserve or the reserve for incurred but unpaid claims, exceeding the funds needed to discharge promptly the obligations incurred under the contract. Also, the carrier is required to credit income earned from its investment of FEHBP funds to the special reserve on behalf of the FEHBP. If a carrier fails to invest excess FEHBP funds or to credit any income due the contract, for whatever reason, it shall return or credit any investment income lost to OPM or the special reserve. Investment income is the net amount earned by the carrier after deducting investment expenses. (48 CFR - 1615.805-70b, c and d).
5. *FEHBP credits.* FAR 31.201-5 provides that the applicable portion of any income, rebate, allowance, or other credit relating to any allowable cost and received by or accruing to the contractor shall be credited to the government either as a cost reduction or by cash refund. FEHBP credits result from benefit payments that include, but are not limited to:
 - a. Coordination of benefit refunds
 - b. Hospital year-end settlements
 - c. Uncashed and returned checks
 - d. Utilization review refunds
 - e. Refunds attributable to litigation with subscribers or providers of health services
 - f. Erroneous benefit payment, overpayment, and duplicate payment recoveries. (48 CFR - 1631.201-70).
6. *Taxes.* 5 U.S.C. 8909(f)(1) prohibits the imposition of taxes, fees, or other monetary payment, directly or indirectly, on FEHBP premiums by any state, the District of Columbia, or the Commonwealth of Puerto Rico or by any political subdivision or other governmental authority of those entities. (48 CFR - 1631.205-41).

7. *Interest expense.* Interest charges incurred in the administration of FEHBP contracts are not allowable in accordance with FAR 31.205.20. However, interest charges that are associated with the carrier's investment of FEHBP account funds are not considered administrative costs and may be allowable under very limited circumstances [See criteria (1) through (5)]. (48 CFR - 1631.205-73).
8. *Selling costs.* FAR 31.205-38 is modified to eliminate from allowable costs those costs related to sales promotion and the payment of sales commissions fees or salaries to employees or outside commercial or selling agencies for enrolling Federal subscribers in a particular FEHBP plan. Selling costs are allowable costs to FEHBP contracts to the extent that they are necessary for conducting annual contract negotiations with the government and for liaison activities necessary for ongoing contract administration. (48 CFR 1631.205-75).
9. *Non-commingling of FEHBP funds.* Carrier or underwriter commingling of FEHBP funds with those from other sources makes it difficult to precisely determine FEHBP cash balances at any given time or to precisely determine investment income attributable to FEHBP invested assets. FEHBP funds shall be maintained separately from other cash and investments of the carrier or underwriter. (48 CFR 1632.771).
10. Carriers must comply with the provisions negotiated and as reported in the contract and any addendums thereto between the carrier and the Office of Personnel Management.
11. *Exclusion of unallowable costs per FAR.*

APPENDIX E

FREEDOM OF INFORMATION REQUESTS

NOTIFICATION TO SUBMITTERS OF CONFIDENTIAL COMMERCIAL INFORMATION

You have been or may be asked to submit to the Office of Inspector General, U.S. Office of Personnel Management, information in connection with these procedures, audit, inspection or other inquiry pursuant to the Inspector General Act of 1978, as amended, 5 U.S.C. app. 3, sec. 1 et seq. This is to notify you that if you deem any of this information to be “confidential commercial information,” you may take steps to so designate that information to protect its confidentiality if at a future point in time a request is made for disclosure of this information under the Freedom of Information Act (FOIA).

“Confidential commercial information” means records that may contain material exempt from release under Exemption 4 of FOIA (pertaining to trade secrets and commercial or financial information that is privileged or confidential), because disclosure could reasonably be expected to cause substantial competitive harm.

You may use any reasonable method you believe appropriate and which is acceptable to the OIG to indicate which documents and information you deem to fall into the category of “confidential commercial information.” Please be as specific as possible in segregating the information that you consider to be “confidential commercial information” from any other information you are providing to the OIG. This may be done before such information is provided to the OIG if feasible, but only if it will not delay or interfere with production of the information or delay or interfere with the OIG’s investigation, audit, inspection or other inquiry. Otherwise, you may so designate this information within a reasonable period of time after the information is provided to the OIG.

If a FOIA request is received by the OIG for information you have designated as “confidential commercial information,” the OIG is nevertheless required by law to make its own independent determination of whether the FOIA requires disclosure of the information or whether it should be withheld pursuant to Exemption (b)(4) or any other exemption of FOIA. If the OIG determines that it may be required to disclose pursuant to FOIA that information you have designated or other information that the OIG has reason to believe could be expected to cause substantial competitive harm, to the extent permitted by law, we will make a good faith effort to notify you and provide you with a reasonable opportunity to object to such disclosure and to state all grounds upon which you oppose disclosure.

We will give careful consideration to all specified grounds for nondisclosure prior to making our final decision.

If we nonetheless believe that disclosure is required, we will provide you with a statement explaining why your objections were not sustained and specifying a disclosure date. To the extent permitted by law, this statement will be provided to you in a reasonable number of days prior to the specified disclosure date. Furthermore, if disclosure of the designated information is denied pursuant to an exemption under FOIA and an administrative or judicial appeal is taken by the FOIA requester, we will make a good faith effort to notify you promptly.

The procedures outlined in this notice are intended only to improve the internal management of the OIG and are not intended to create any right or benefit, substantive or procedural, enforceable at law by a party against the United States, its agencies, officers, or any person.

1999 FISCAL YEAR REPORTING PACKAGE

This section contains the guidelines for your **FISCAL YEAR ACCOUNTING STATEMENT REPORTING**, which is due no later than December 15, 1999. All accounting reports and supporting schedules must be prepared using the accrual basis of accounting. The information provided in Enclosure A will be used in the preparation of your financial reporting and its accuracy is critical. Please review this information and contact us immediately if you feel it is not accurate. Please ensure that the following statements and supporting schedules for the period ending October 1, 1998 through September 30, 1999 are included before submitting your accounting statement.–

An Estimated Summary Statement for the period October 1, 1998 through September 30, 1999 must be submitted in advance of your fiscal year report. This statement is due at OPM no later than November 4, 1999.

The completed Fiscal Year Accounting Statement is due at OPM no later than December 15, 1999 and should be forwarded to:

**U.S. Office of Personnel Management
Financial Management Division
Attn: Samuel Arsers
1900 E Street, NW, Room 3H25
Washington, D.C. 20415**

You may also FAX your report to (202) 606-1338. If you have any questions regarding the preparation of your accounting statement, Please call Samuel Arsers of the Benefits Accounting Branch on (202) 606-4189, or Melanese Matthews on (202) 606-4498.

Carrier Name: _____ Code

**FEHBP BALANCE SHEET
As of September 30, 1999**

09/30/99 09/30/98

ASSETS

Cash and Cash Equivalents

Balance in Letter of Credit Account

Interest Income Receivable

Program Income Receivable

Prepaid Expenses

TOTAL ASSETS

=====

LIABILITIES AND SPECIAL RESERVE

Health Benefits Accrued but Unpaid

Accrued Administrative Expenses

Accrued Other Expenses and Retentions

TOTAL LIABILITIES

SPECIAL RESERVE

TOTAL LIABILITIES AND SPECIAL RESERVE

=====

Carrier Name: _____

Code: _____

1. PROGRAM INCOME:

- a. Letter of Credit Authorizations
' (1) Semimonthly Premiums
-1
 (2)
 Interest
- b. Accrued Income 09/30/98
 (1) Semimonthly Premiums
 (2)
 Interest
- c. Accrued Income 09/30/99
 (1) Semimonthly Premiums
 (2)
 Interest
- d. Total Program Income
- e. Carrier Interest Income
- f. Total Carrier Income

2. HEALTH BENEFITS CHARGES:

- a. Paid
- b. Accrued but Unpaid:
 (1) Beginning
 (2) Ending
- c. Total

3. ADMINISTRATIVE EXPENSES:

- a. Paid
- b. Accrued but Unpaid:
 (1) Beginning
 (2) Ending
- c. Total

4. OTHER EXPENSES AND RETENTIONS:

- a. State Statutory Reserve
- b. Reinsurance Expenses
- c. Service Charge
- d. Other
- e. Total

5. CHANGES TO SPECIAL RESERVE:

- a. Special Reserve - 09/30/98
- b. Gain (Loss) on Operations
- c. Prior Period Adjustment
- d. Contingency Reserve Payments
- e. Return of Excess Reserves
- f. Other
- g. Special Reserve - 09/30/99

	TOTAL	HIGH OPTION	LOW OPTION
a. Letter of Credit Authorizations ' (1) Semimonthly Premiums -1 (2) Interest	\$	\$	\$
b. Accrued Income 09/30/98 (1) Semimonthly Premiums (2) Interest	\$	\$	\$
c. Accrued Income 09/30/99 (1) Semimonthly Premiums (2) Interest	\$	\$	\$
d. Total Program Income	\$	\$	\$
e. Carrier Interest Income	\$	\$	\$
f. Total Carrier Income	\$	\$	\$
a. Paid	\$	\$	\$
b. Accrued but Unpaid: (1) Beginning (2) Ending	\$	\$	\$
c. Total	\$	\$	\$
a. Paid	\$	\$	\$
b. Accrued but Unpaid: (1) Beginning (2) Ending	\$	\$	\$
c. Total	\$	\$	\$
a. State Statutory Reserve	\$	\$	\$
b. Reinsurance Expenses	\$	\$	\$
c. Service Charge	\$	\$	\$
d. Other	\$	\$	\$
e. Total	\$	\$	\$
a. Special Reserve - 09/30/98	\$	\$	\$
b. Gain (Loss) on Operations	\$	\$	\$
c. Prior Period Adjustment	\$	\$	\$
d. Contingency Reserve Payments	\$	\$	\$
e. Return of Excess Reserves	\$	\$	\$
f. Other	\$	\$	\$
g. Special Reserve - 09/30/99	\$	\$	\$