
FEHB Program Carrier Letter

Experience-rated Carriers

U.S. Office of Personnel Management
Insurance Services Programs

Letter No. 2009 - 12

Date: May 21, 2009

Fee-for-service [8] Experience-rated HMO [8] Community-rated HMO [n/a]

SUBJECT: Guidance for the Preparation of Audited Financial Statements for Federal Fiscal Year 2009

The *FEHBP Financial Reporting and Audit Guide* [the "Guide"] presents detailed requirements for financial reporting due from ALL carriers, as well as auditing requirements for certain carriers.

The U.S. Office of Management and Budget (OMB) requires that all Federal agencies, including OPM, publish their financial statements by November 15, 2009 - 45 days after the end of the Federal Fiscal Year (FY). To meet this deadline, OPM has worked closely with many of the carriers in developing its financial reporting and auditing requirements.

FY 2009 FINANCIAL REPORTING REQUIREMENTS

As presented in the Guide, all carriers must submit a Federal FY *Schedule of Selected Balances (SSB)* no later than **October 9, 2009**. This is critical because it will provide much of the information OPM needs to prepare its financial statements within OMB's deadline.

Effective with the June 30, 2009 quarterly report, OPM requires all Carriers to include a separate breakout of their investments and to submit a supporting schedule for their investments showing what type of investment is held by amount. The SSB, as updated, is presented in Appendix B. **In addition, management is required to provide an explanation for each line item of the SSB for the primary and secondary carriers with a percentage variance from the previous year's quarter exceeding five percent (5%) and 10 percent (10%), respectively.** The reports are not required to be audited.

“Circular A-123, Management’s Responsibility for Internal Control” assigns responsibility to all agencies for establishing and maintaining internal controls to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations. We are requiring a management official from each *Primary Audit Coverage* Carriers to provide OPM with a letter documenting its ability or lack thereof to adhere to “Internal Controls” for the period October 1, 2008, through August 31, 2009, and any significant subsequent events for Federal FY reporting period ending September 30 no later than September 4 and October 7, respectively.

AUDITING REQUIREMENTS

Primary Audit Coverage. Primary audit coverage pertains to carriers that had claims expenses of \$125 million or more in contract (calendar) year 2008. The applicable carriers that have elected Option 2 must submit, in addition to audited financial statements as of and for September 30, 2009, a report on compliance with laws, regulations and internal controls in accordance with Generally Accepted Government Auditing Standards (GAGAS), and a report on the application of certain agreed-upon procedures.

Secondary Audit Coverage. Secondary audit coverage pertains to carriers that had claims expenses of less than \$125 million in contract (calendar) year 2008. The applicable carriers that have elected Option 2 in the Guide must submit audited financial statements as of and for September 30, 2009. However, they are not required to provide a report on compliance with laws, regulations and internal controls, nor agreed-upon procedures. It is important to note carriers that would otherwise be subject to secondary audit coverage may - at the contracting officer's discretion - be made subject to some primary audit coverage.

Please submit two copies of the FY 2009 financial statements to:

U.S. Office of Personnel Management
Center for Financial Services
Trust Funds Group
Attention: Melanese Wynn
1900 E Street NW, Room 3H19
Washington, DC 20415-0001

If you have any questions about the requirements for the audited FY 2009 financial statements, please direct them to Melanese.Wynn@opm.gov of the Trust Funds Group, fax number (202) 606-1338, with a copy to your contract representative.

Sincerely,

Kay T. Ely
Associate Director
Human Resources Products and Services

Enclosure