
FEHB Program Carrier Letter

Experience-rated Carriers

U.S. Office of Personnel Management
Insurance Services Programs

Letter No. 2007 - 22

Date: June 25, 2007

Fee-for-service [18] Experience-rated HMO [16] Community-rated HMO [n/a]

SUBJECT: Guidance for the Preparation of Audited Financial Statements for Federal Fiscal Year 2007

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 all Federal agencies, including OPM, to publish their financial statements by November 15, 2007 - 45 days after the end of the current Federal fiscal year (FY). To meet this deadline, OPM has worked closely with many of the carriers to reconsider almost all of its financial reporting and auditing requirements.

FY 2007 FINANCIAL REPORTING REQUIREMENTS

As presented in the Guide, all carriers must submit a *Schedule of Selected Balances (SSB)* no later than **October 10, 2007**. This is critical because it will provide much of the information OPM needs to prepare its financial statements within OMB's deadline.

In addition to OPM's requirement that carriers submit the SSB report for the period ending September 30, all carriers will be required to submit their first "Quarterly" SSB report for the period as of June 30 no later than **July 20, 2007**. This report is not required to be audited.

OMB's document "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* carrier to provide OPM with a letter documenting the carrier's ability or lack thereof to adhere to "Internal Controls" for the period as of August 31 and any significant subsequent events for reporting period ending September 30 no later than September 7, and October 5, respectively.

AUDITING REQUIREMENTS

Primary Audit Coverage. Primary audit coverage pertains to carriers that had claims expenses of \$100 million or more in the previous contract year. The applicable carriers that have elected Option 2 must submit, in addition to audited financial statements as of and for September 30,

2007, 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 \$100 million in the previous contract year. The applicable carriers that have elected Option 2 in the Guide must submit audited financial statements as of and for September 30, 2007. 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 four copies of the FY 2007 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 2007 financial statements, please direct them to Melanese.Wynn@opm.gov of the Trust Funds Group, fax number (202) 606-0701, with a copy to your contract representative.

Sincerely,

Robert F. Danbeck
Associate Director
for Human Resources Products and Services

Enclosure