

## **MESSAGE FROM THE DIRECTOR**

The Office of the Inspector General (OIG) of the U.S. Office of Personnel Management (OPM) has completed its Semiannual Report for the period October 1, 2005 to March 31, 2006. I am transmitting the Report to Congress as required by law, along with the Management Response containing additional information on certain portions of the report where further clarification may be helpful.

This has, indeed, been a productive period here at OPM as we have developed and implemented a new Strategic and Operational Plan. Our new plan and refocused mission is an effort to make OPM's goals and operations more transparent and accountable to the American public. The OIG serves a vital role in helping OPM to remain transparent and accountable. Of equal importance, the OIG is critical to OPM achieving its mission of ensuring the Federal Government has an effective civilian workforce. The results of the OIG efforts this reporting period provide basic proof that the Federal Government benefits from a strong and effective Inspector General. Over the past several months the OIG has made valuable contributions to the effectiveness of OPM operations through its audit activities of health insurance carriers aimed at protecting the Federal Employees Health Benefits Program (FEHBP). In particular, the OIG has issued 22 reports this period which contain recommendations for monetary adjustments in aggregate of \$29.6 million due the FEHBP. OPM management will continue to work closely with the OIG to further protect and improve service for our Federal health plan customers and deter provider wrongdoing.

During this reporting period the OIG played an important role in overseeing the operation of local organizations of the Combined Federal Campaign (CFC), the only authorized charitable fundraising drive conducted in Federal installations throughout the world. During this period the OIG issued four audit reports of local CFCs that identified numerous violations of regulations and guidelines governing local CFC operations. The OIG audit findings help to provide assurance to the thousands of Federal donors world-wide that their contributions are being safeguarded.

The OIG also conducted several internal management and information security audits aimed at improving OPM management operations. In addition, the OIG's investigations program helped to identify and deter acts of criminal and administrative wrongdoing perpetrated against the U.S. Government. Overall, the OIG's efforts contributed significantly to the achievement of OPM's guiding principles:

- Promoting the ideals of public service
- Championing the Federal workforce
- Achieving excellence in what we do
- Advocating for innovative human resources practices

- Attracting and developing the best people for Federal service
- Preserving merit system principles
- Encouraging professional development and recognition opportunities
- Spending taxpayer dollars wisely
- Valuing our customers
- Being accountable for our actions.

OPM's commitment to these principles helps promote an effective civilian workforce for the Federal Government. With the joint efforts of the Office of the Inspector General, OPM is on a solid path for achieving its mission and in meeting the challenges of the future.

Linda M. Springer  
Director

**MANAGEMENT RESPONSE  
TO THE INSPECTOR GENERAL'S SEMIANNUAL REPORT  
TO CONGRESS**

**MAY 2006**

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## **HEALTH AND LIFE INSURANCE CARRIER AUDITS**

### **AUDIT RESOLUTION**

The resolution of audit report findings issued by the OIG continues to be a priority. The charts at the end of this management report summarize insurance audit resolution activity for the period October 1, 2005, through March 31, 2006.

We began this period with 14 audit reports pending agency decisions totaling \$36.1 million. The OIG issued 19 new reports with unresolved monetary findings totaling \$29.6 million, bringing the work-in-process to \$65.7 million. Management's decisions on OIG recommendations during this period were \$40.2 million. This amount is a combination of \$33.5 million in "disallowed costs" (requiring payment to OPM) and \$6.7 million in "costs not disallowed" (no required payment to OPM). The balance at the end of the period totals \$25.5 million and relates to 17 audit reports.

### **COLLECTION OF DISALLOWED COSTS**

At the beginning of the period there were 35 audit reports which had been previously resolved, with \$46.3 million to be collected from the insurance carriers. Management decisions were made on 8 reports requiring the insurance carriers to pay \$26.4 million. This brought the number of audit reports with collection action to 43, totaling \$72.7 million including interest and adjustments. During this period, we collected \$22.5 million relating to 15 audit reports. We also made an adjustment to audit reports totaling \$15.1 million, which leaves a balance of 28 audit reports and \$35.1 million to be collected.

The following table on final action of audits with disallowed costs provides a summary of collection activity for the period October 1, 2005, through March 31, 2006.

**MANAGEMENT REPORT ON FINAL ACTION  
ON AUDITS WITH DISALLOWED COSTS  
REPORTING PERIOD ENDING  
March 31, 2006**

	Number of Audit Reports	Disallowed Costs (in thousands)
A. Audit reports with management decisions on which final action had not been taken at the beginning of the period <b>(10/01/2005)</b>	35	\$46,382
B. 1. Audit reports on which management decisions were made during the period <b>(10/01/2005 - 03/31/2006)</b>	8	26,417
2. Interest assessed during period	0	0
C. Total audit reports pending final action during period (total of A and B)	<b>43</b>	<b>\$72,799</b>
D. Audit reports on which final action was taken during the period		
1. Recoveries		
(a) Collections and offsets	15	\$22,544
(b) Property	0	0
(c) Other	0	15,066*
2. Write-offs, waiver	0	0
3. Total of 1 and 2	<b>15</b>	<b>\$37,610</b>
E. Audit reports needing final action at the end of the period <b>(03/31/2006)</b> (subtract D3 from C)	<b>28</b>	<b>\$35,189</b>

\* This represents adjustments to original debt.

**STATUS OF THE INSURANCE AUDITS  
HIGHLIGHTED IN THE  
OFFICE OF THE INSPECTOR GENERAL'S REPORT**

<b>REPORT, REPORT NUMBER, AND DATE</b>	<b>STATUS</b>
Humana Health Plan, Inc. Louisville, Kentucky 1C-75-00-04-084 November 23, 2005	Reviewing Plan's response to the outstanding issues. We expect to resolve all outstanding issues within the 180 day standard.
Aetna Health, Inc. New Jersey and Southeastern Pennsylvania Blue Bell, Pennsylvania 1C-P3-00-05-029 February 22, 2006	All outstanding audit issues have been resolved and the FEHB Program has been reimbursed for \$1,714,920.
BlueCross BlueShield of Michigan Detroit, Michigan 1A-10-32-05-034 March 24, 2006	Awaiting Plan's response to the outstanding issues. We expect to resolve all outstanding issues within the 180 day standard.
Global Duplicate Claim Payments BlueCross BlueShield Plans 1A-99-00-04-027 February 7, 2006	Awaiting Plan's response to the outstanding issues. We expect to resolve all outstanding issues within the 180 day standard.
National League of Postmasters of the United States as Sponsor for the Postmasters Benefit Plan Alexandria, Virginia 1B-36-00-03-058 December 5, 2005	Awaiting Plan's response to the outstanding issues. We expect to resolve all outstanding issues within the 180 day standard.
Metropolitan Life Insurance Company Jersey City, New Jersey 2A-II-00-05-045 January 31, 2006	All outstanding audit issues have been resolved and the FEGLI Program has been reimbursed all applicable funds.
Audit of Information Systems General and Application Controls at Government Employees Hospital Association Independence and Lee's Summit, Missouri 1B-31-00-04-090 January 13, 2006	Awaiting Plan's response to the outstanding issues. We will coordinate corrective actions taken by the Plan on a quarterly basis until all recommendations have been completed.

**MANAGEMENT DECISIONS NOT IMPLEMENTED WITHIN ONE YEAR**

**Blue Cross and Blue Shield Audits**

<b><u>Report Date</u></b>	<b><u>Determination Date</u></b>	<b><u>Audit Number</u></b>	<b><u>Audit Name</u></b>	<b><u>Receivables as of March 31, 2006</u></b>
03/31/2004	09/24/2004	10-00-03-013	BCBS Global COB (Tier 1)	\$ 1,473,871
04/02/2002	02/19/2003	10-05-01-050	BCBS of Georgia	31,320
11/13/2000	08/31/2001	10-06-99-055	BCBS of MD (Owings Mill, MD)	66,542
10/01/2002	10/15/2003	10-15-02-007	BCBS of Tennessee	144,110
08/23/2004	02/22/2005	10-17-02-048	BCBS of Illinois	188,175
05/04/2004	02/22/2005	10-18-03-003	Anthem BCBS Ohio	1,440,153
07/28/2004	02/22/2005	10-29-02-047	BCBS of Texas	1,346,466
08/27/2001	12/11/2001	10-30-01-018	BCBS of Colorado	121,228
05/14/2003	03/19/2004	10-33-02-008	BCBS of North Carolina	89,872
01/06/2000	09/06/2000	10-39-98-012	BCBS of Kentucky & Indiana (Louisville-Indiana)	353,727
03/01/2004	09/30/2004	10-39-03-004	Anthem BCBS (Indiana Claims & Admin)	238,565
05/10/2000	02/05/2001	10-41-99-017	BCBS of Florida (Jacksonville, FL)	4,053,107
04/23/2003	03/19/2004	10-50-02-032	Anthem BCBS of Connecticut	8,401
08/02/2004	02/11/2005	10-61-04-009	Anthem BCBS of Nevada	591,322
12/20/2000	08/31/2001	10-85-99-054	CareFirst BCBS (Washington, DC)	34,066
			<b>Subtotal</b>	<b>\$10,180,925</b>

**Other Insurance Carriers**

<b><u>Report Date</u></b>	<b><u>Determination Date</u></b>	<b><u>Audit Number</u></b>	<b><u>Audit Name</u></b>	<b><u>Receivables as of March 31, 2006</u></b>
02/11/2003	09/30/2003	YQ-00-02-028	Alliance Health Plan	\$ 3,715,326
10/23/2002	09/30/2003	88-00-01-095	Rocky Mountain HMO	3,498,864
			<b>Subtotal</b>	<b>\$ 7,214,190</b>
			<b>Grand Total</b>	<b>\$ 17,395,115*</b>

\* Management Decisions pending on \$624,666.

**COMMENTS ON UNRESOLVED MANAGEMENT DECISIONS OVER ONE YEAR OLD**

Of the \$16,770,449 for which a management decision was not implemented within one year, 67 percent, or \$11,267,297, relate to appealed cases. These cases have been appealed either to the Armed Services Board of Contract Appeals or to the United States Court of Claims. The remaining 33 percent, or \$5,503,152, relate to health benefit overpayment issues and the Carriers are in the process of collecting them. Contractually, the Carriers must follow normal business practices and make a concerted attempt to collect the overpayments. Therefore, until the funds have been recovered or until it has been determined that the funds are uncollectible and must be written-off, the receivable must remain on OPM's book of record.



**SIGNIFICANT MANAGEMENT DECISIONS  
OCTOBER 1, 2005 THROUGH MARCH 31, 2006  
ON FINAL REPORTS ISSUED  
BY THE OFFICE OF THE INSPECTOR GENERAL**

<b>REPORT AND REPORT NUMBER</b>	<b>AUDIT FINDINGS</b>	<b>MANAGEMENT RESULTS</b>	<b>AMOUNT RECOVERED</b>
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No Contracting Officers Final Decisions were issued during this period.