

Summary of Changes to the 2001 “FEHBP Experienced-Rated Carrier and Service Organization Audit Guide” (Guide)

Overall Summary of Changes

The Guide was not significantly changed for 2001. Below are the described changes to the prior year’s Guide. Changes number 10 and 13 should be noted. Number 10 is a new fiscal year schedule that was not included in any prior Guides. Number 13 is a slight change in the calculation of One Month’s Average of Administrative Expenses on an existing Supplemental Schedule.

Individual Change Descriptions

1. On the first page of cover letter, added the word audited to the description of Secondary Carrier requirements.
2. Throughout the Guide, moved all dates up by one year. For example, changed 1999 to 2000 and 2000 to 2001.
3. On first page of the cover letter, changed the date for first time primary carriers to notify the contracting officer of their selected Guide option from August 14 to the 31st. This is based on the timing of our issued Guide update.
4. Changed due dates from March 31, December 15, and June 30 to March 30, December 14, and June 29. Changed because old due dates were on Saturdays.
5. Updated Guide to reflect changes in SSAE No. 10. The changes are not significant and consisted of:
 - a. Language changes; e.g., SSAE No. 10 changed “management” to “responsible party”. We changed “management” to “carrier”;
 - b. Changes to the paragraph numbers that we referenced in the Guide; and
 - c. Wording in the Illustrative report (see Appendix B example 1 of the Guide).
6. Updated the Guide with a footnote on SAS No. 88. SAS No. 88 amended SAS No. 70 in December 1999. SAS No. 88 replaced existing language in SAS No. 70 with language and concepts in SAS No. 55, *Consideration of Internal Control in a Financial Statement Audit*, as amended by SAS No. 78. Also, SAS No. 88 amended AU section 420, “Consistency of Applications of Generally Accepted Accounting Principles.” Finally, SAS No. 88 changed the title of SAS No. 70 from *Reports on the Processing of Transactions by Service Organizations* to *Service Organizations*.
7. In Chapter III, added a the following sentence on page III-1 “For all samples selected in the procedures below, the samples **must be representative of the population**.” This was based on feedback from OIG auditors that sometimes they could not rely on the work performed by the IPA because the samples did not seem to be representative of the population. Added this sentence to emphasize that this is a key requirement of this Chapter.

8. Changed timeframes in Chapter III for Refunds and Provider Charges. Changed the requirement for returning refunds and provider discounts/settlements to the FEHBP from 60 days to 30 days after receipt. This was based on discussion with and comments by several large carriers during OIG audits and OIP input.
9. In Chapter V, changed BCBS of the National Capital Area to CareFirst BCBS and added BCBSA.
10. Added page A-8, Supplemental Schedule of Monthly Cash Flows to the **fiscal year** only requirements. This schedule is required under RIS's prescribed financial reporting (AAS). We made the change to:
 - a. make the Guide consistent with the RIS reporting requirements,
 - b. show the carrier's cash flow procedures, and
 - c. indicate if there were any unallowable interest charges.
11. In Appendix A, added the "except for" portion of the following sentence; "However, the following illustrative financial statements and disclosures (pages A-2 through A-13), **except for the Supplemental Schedule of Monthly Cash Flows (fiscal year schedule only)**, are calendar year only."
12. On page A-2 of Appendix A, added the Supplemental Schedule of Monthly Cash Flows (fiscal year only) to the required supplementary schedules.
13. Changed the Supplemental Schedule of Status of Reserves. In prior years, the Guide calculated the "One Month's Average of Administrative Expenses" by taking administrative expenses shown on the Statement of Operations and multiplying by 1/12. It should be calculated by taking the administrative expenses **plus all other expenses and retentions** and multiplying by 1/12. This makes the calculation consistent with RIS's financial reporting requirements.
14. Updated Appendix C authoritative references for SSAE No. 10 and the change in the title of SAS 70.