

**MANAGEMENT DECISIONS AND FINAL ACTIONS ON THE
OFFICE OF THE INSPECTOR GENERAL'S
AUDIT RECOMMENDATIONS
OCTOBER 1, 2007 - MARCH 31, 2008**

**DIRECTOR'S SEMIANNUAL REPORT
TO THE CONGRESS**

Working for America



**UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
MAY 2008**

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, 2007, to March 31, 2008. 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.

OPM has achieved a great deal since we reported six months ago. We recently rolled out the first wave of RetireEZ, the Federal Government's new retirement administration process, which will quickly and accurately calculate retirement benefits. Our efforts to implement a new financial management system are well underway and will provide increased ability to provide timely, accurate and reliable financial data needed to support OIG audits as well as improve overall decision making. The development of clear documentation requirements to assist carrier compliance with health benefits related audit findings remains a high priority for OPM and the enhancements that we are making will provide an additional level of accountability and standardization. Accomplishments such as these support our commitment to OPM's published strategic objectives and operational goals as well as underscore our commitment to achieving excellence in what we do.

The OIG continues to assist OPM in achieving its goals and objectives by auditing our benefits providers and monitoring for fraud, waste, and abuse. They ensure OPM and its partners remain accountable and proactive in identifying opportunities for improvements. For example, over the last six months, the OIG issued 34 final audit reports of our Federal Employees Health Benefit Program (FEHBP) providers. These audits identified various weaknesses and deficiencies with some FEHBP partners, such as unsupported charges, failure to provide appropriate premium discounts, and failure to properly refund pharmacy drug rebates. As a result, 23 of the 34 audit reports contain recommendations for monetary adjustments totaling approximately \$45 million due to OPM. These audits are essential to our stewardship of FEHBP.

Additionally, each year the OIG oversees the Agency's independent public auditor in the conduct of the annual financial statement audits. OPM again received an unqualified opinion with no material weaknesses. The OIG conducts other audits of OPM, such as the audit of our compliance with federal tax laws and of our information technology systems. These audits promote transparency, check for proper controls, and hold us accountable for addressing emerging issues and enhancing our programs.

We close this reporting period confident that our efforts have promoted a stronger OPM organization. OPM is indeed proud of its important role in working for America and will continue to promote effective and efficient programs allowing increased benefits to the Federal workforce and the public.

Linda M. Springer
Director

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

May 2008

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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, 2007, through March 31, 2008.

We began this period with 16 audit reports pending agency decisions totaling \$23.9 million. The OIG issued 23 new reports with unresolved monetary findings totaling \$45.1 million, bringing the work-in-process to \$69.0 million and relates to 39 audit reports. Management's decisions on OIG recommendations during this period were \$36.0 million and related to 20 audit reports. This amount is a combination of \$36.8 million in "disallowed costs" (requiring payment to OPM) and a net $-.8$ million in "costs not disallowed" (no required payment to OPM). The balance at the end of the period totals \$33.0 million and relates to 19 audit reports.

COLLECTION OF DISALLOWED COSTS

At the beginning of the period there were 29 audit reports which had been previously resolved, with \$32.3 million to be collected from the insurance carriers. Management decisions were made on 25 reports requiring the insurance carriers to pay \$37.0 million. This brought the number of audit reports with collection action to 54, totaling \$69.3 million including interest and adjustments. During this period, we collected \$27.3 million relating to 16 audit reports. We also made an adjustment to one audit report totaling \$6.5 million, which leaves a balance of 38 audit reports and \$35.5 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, 2007, through March 31, 2008.

**MANAGEMENT REPORT ON FINAL ACTION
ON AUDITS WITH DISALLOWED COSTS
REPORTING PERIOD ENDING
March 31, 2008**

	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 (10/1/2007)	29	\$32,212
B. 1. Audit reports on which management decisions were made during the period (10/1/2007 – 3/31/2008)	25	\$37,039
2. Interest assessed during period	0	\$ 88
C. Total audit reports pending final action during period (total of A and B)	54	\$69,339
D. Audit reports on which final action was taken during the period		
1. Recoveries		
(a) Collections and offsets	16	\$27,316
(b) Property	0	0
(c) Other	0	\$6,517*
2. Write-offs, waiver	0	0
3. Total of 1 and 2	16	\$33,833
E. Audit reports needing final action at the end of the period (3/31/2008) (subtract D3 from C)	38	\$35,506

* This represents adjustments to original debt.

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

REPORT, REPORT NUMBER, AND DATE	STATUS
HealthPlus of Michigan, Inc. Flint, Michigan 1C-X5-00-06-013 November 14, 2007	Reviewing Plan's response to the outstanding issues. We expect to resolve all issues within the 180 day standard.
Vista Health Plan Hollywood, Florida 1C-3N-00-06-011 January 18, 2008	All outstanding audit issues have been resolved and the FEHB Program has been reimbursed for \$1,865,560.
Global Coordination of Benefits for BlueCross and BlueShield Plans 1A-10-99-06-001 March 20, 2008	Awaiting Plan's response to the outstanding issues. We expect to resolve all outstanding issues within the 180 day standard.
WellPoint Midwest Mason, Ohio 1A-10-18-06-052 February 20, 2008	Awaiting Plan's response to the outstanding issues. We expect to resolve all outstanding issues within the 180 day standard.
Triple-S, Inc. San Juan, Puerto Rico 1D-89-00-06-043 March 26, 2008	Awaiting Plan's response to the outstanding issues. We expect to resolve all outstanding issues within the 180 day standard.

MANAGEMENT DECISIONS NOT IMPLEMENTED WITHIN ONE YEAR

Blue Cross and Blue Shield Audits

Report Date	<u>Determination Date</u>	<u>Audit Number</u>	<u>Audit Name</u>	<u>Receivables as of March 31, 2008</u>
11/09/2004	09/26/2005	10-00-03-102	BCBS Global COB (Tier 2)	\$ 8,380,281
03/31/2004	09/24/2004	10-00-03-013	BCBS Global COB (Tier 1)	974,962
10/01/2002	09/25/2003	10-15-02-007	BCBS of Tennessee	109,099
05/04/2004	02/22/2005	10-18-03-003	Anthem BCBS - Ohio	517,448
07/28/2004	02/22/2005	10-29-02-047	BCBS of Texas	973,540
05/22/2006	09/18/2006	10-31-05-068	Wellmark BCBS of Iowa and South Dakota	26,787
03/24/2006	09/15/2006	10-32-05-034	BCBS of Michigan	3,195,162
05/03/2004	03/11/2005	10-41-03-031	BCBS of Florida	1,833,174
11/17/2004	09/26/2005	10-45-03-012	Anthem BCBS - Kentucky	625,520
06/05/2006	09/15/2006	10-47-05-009	BCBS of Wisconsin	327,292
02/22/2006	09/15/2006	10-52-05-021	BlueCross of California	100,444
12/15/2004	09/26/2005	10-55-04-010	Independence BCBS	20,190
08/02/2004	02/11/2005	10-61-04-009	Anthem BCBS of Nevada	21,125
10/17/2005	01/17/2006	10-83-05-002	BCBS of Oklahoma	692,642
08/19/2005	02/08/2006	10-85-03-103	Carefirst BCBS (DC Service Area)	180,564
07/27/2005	11/10/2005	10-85-04-007	BCBS Global COB	1,201,437
02/07/2006	08/15/2006	99-00-04-027	Global Duplicate Claims Payments	1,000,869
			Subtotal	\$20,180,536

Other Insurance Carriers

Report Date	<u>Determination Date</u>	<u>Audit Number</u>	<u>Audit Name</u>	<u>Receivables as of March 31, 2008</u>
02/22/2006	08/15/2006	JK-00-04-031	PacifiCare Asia Pacific	473,469
06/20/2005	12/05/2005	80-00-04-058	Group Health Incorporated	3,772,057
			Subtotal	\$ 4,245,526
			Grand Total	\$24,426,062*

* Management Decisions pending on \$4,635,961.

The information above comes from OPM's Audit Report and Receivables Tracking System (ARRTS). The receivables listed were determined more than one year and one month prior to March 31, 2008, making them more than one year delinquent.

COMMENTS ON UNRESOLVED MANAGEMENT DECISIONS OVER ONE YEAR OLD

Of the \$19,790,101 for which a management decision was not implemented within one year, 21.5 percent, or \$4,245,526, relate to appealed cases. These cases have been appealed either to the Civilian Board of Contract Appeals or to the United States Court of Claims. The remaining 78.5 percent, or \$15,544,575, 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, 2007 THROUGH MARCH 31, 2008
ON FINAL REPORTS ISSUED
BY THE OFFICE OF THE INSPECTOR GENERAL**

REPORT AND REPORT NUMBER	AUDIT FINDINGS	MANAGEMENT RESULTS	AMOUNT RECOVERED
PacifiCare Asia Pacific Tamuning, Guam 1C-JK-00-04-031 February 22, 2006	Children's Loading	Initial negotiations with the Carrier were not successful. As a result, the Contracting Officer issued a Final Decision based upon the findings in the Office of the Inspector General's Final Audit Report. We will attain final Resolution through continued negotiations or the legal process.	We have not determined the total amount to be recovered on this audit since the legal process is still in progress.



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