

**MANAGEMENT DECISIONS AND FINAL ACTIONS
ON THE OFFICE OF THE INSPECTOR GENERAL'S
AUDIT RECOMMENDATIONS**

OCTOBER 1, 2008 - MARCH 31, 2009

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



**UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
MAY 2009**



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

Washington, DC 20415

The Director

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, 2008, to March 31, 2009. 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.

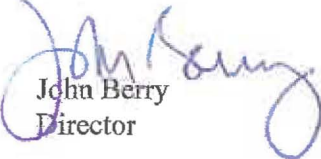
The work of OPM is indispensable to the success of the Federal workforce. We strive to implement the best and most innovative employment practices, protect the merit system, and honor our commitment to America's veterans. We will develop or adopt the best practices for every phase of our human resources operation: retirement benefits, employee health and life insurance, recruitment, hiring, retention, work life, training and development, and other vital OPM functions.

The Office of the Inspector General helps ensure that we and our partners remain accountable, meet the highest standards of public integrity, and manage strong internal controls. During the last six months, the OIG issued 21 final audit reports on the Federal Employees Health Benefits (FEHB) Program providers and Federal Employees' Group Life Insurance (FEGLI) Program. OIG auditors determined approximately \$23.5 million were due in repayment to the trust fund, the result of inappropriate charges from some FEHB carriers and overcharges from some FEGLI providers.

Audits of OPM consolidated financial statements and consolidated financial balance sheets remain a top priority. We received a clean audit opinion on our fiscal year 2008 financial statements, with no material weaknesses. The integrity of our financial statements and reporting remain strong, in part, due to the oversight of the OIG. Another top priority is ensuring Federal employees, annuitants, and survivors receive excellent health care benefits which are properly paid. Through the OIG's investigative efforts we shut down the illegal marketing of the anti-psychotic drug Zyprexa for unapproved purposes, resulting in a plea agreement from the offending company to pay \$515 million in criminal fines and forfeit assets worth \$100 million. From a related civil settlement, the FEHB Program received \$1.9 million from the company. Additionally, investigators aggressively ensure we pay annuities to those entitled to receive them. As a result of OIG investigations, the Federal government successfully prosecuted individuals who fraudulently received benefits, and sought recovery of the funds.

In recent months, the OIG substantially expanded their investigative work to target how effectively and efficiently we administer and oversee background investigations to ensure applicants selected for employment are qualified to be public servants. We are diligently working to put into place corrective actions to address weaknesses and deficiencies identified during these OIG investigations. This endeavor is imperative and assures the quality and accuracy of investigative activities needed to adequately protect the government, its assets, its customers, and its employees.

Everyday we safeguard the interests of 2.5 million Federal retirees and survivors, nearly 8 million FEHB enrollees, and over 4 million FEGLI participants. Without a doubt, there will be many challenges facing the Federal workforce, now and in coming years, but I feel these challenges should melt into opportunities to improve and strengthen our services. In closing, the OPM Team will meet those challenges and the OIG has been, and will continue to be, a critical member of our team.


John Berry
Director

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

May 2009

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HEALTH AND LIFE INSURANCE CARRIER AUDITS

AUDIT RESOLUTION

The resolution of audit report findings issued by the OIG remains a high priority. The charts at the end of this management report summarize insurance audit resolution activity for the period October 1, 2008, through March 31, 2009.

We began this period with 15 audit reports pending agency decisions totaling \$34.3 million. The OIG issued 15 new reports with unresolved monetary findings totaling \$23.5 million, bringing the work-in-process to \$57.8 million and relates to 30 audit reports. Management's decisions on OIG recommendations during this period were \$36.9 million and related to 19 audit reports. This amount is a combination of \$38.2 million in "disallowed costs" (requiring payment to OPM) and a net -\$1.3 million in "costs not disallowed" (no required payment to OPM). The balance at the end of the period totals \$20.9 million and relates to 11 audit reports.

COLLECTION OF DISALLOWED COSTS

At the beginning of the period there were 42 audit reports which had been previously resolved, with \$39.9 million to be collected from the insurance carriers. Management decisions were made on 17 reports requiring the insurance carriers to pay \$38.3 million. This brought the number of audit reports with collection action to 59, totaling \$78.2 million including interest and adjustments. During this period, we collected \$13.9 million relating to 7 audit reports. We also made an adjustment to the original debt totaling \$3.0 million, which leaves a balance of 52 audit reports and \$61.3 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, 2008, through March 31, 2009.

**MANAGEMENT REPORT ON FINAL ACTION
ON AUDITS WITH DISALLOWED COSTS
REPORTING PERIOD ENDING
March 31, 2009**

	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 (10/1/2008)	42	\$39,919
B. 1. Audit reports on which management decisions were made during the period (10/1/2008 – 3/31/2009)	17	\$38,214
2. Interest assessed during period	0	\$ 99
C. Total audit reports pending final action during period (total of A and B)	59	\$78,232
D. Audit reports on which final action was taken during the period		
1. Recoveries		
(a) Collections and offsets	7	\$13,933
(b) Property	0	0
(c) Other	0	\$3,037*
2. Write-offs, waiver	0	0
3. Total of 1 and 2	7	\$16,970
E. Audit reports needing final action at the end of the period (3/31/2009) (subtract D3 from C)	52	\$61,262

* This represents adjustments to original debt.

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

<u>REPORT, REPORT NUMBER, AND DATE</u>	<u>STATUS</u>
Humana Health Plan, Inc. - Chicago Louisville, Kentucky 1C-75-00-08-029 December 16, 2008	All outstanding audit issues have been resolved and the FEHB Program has been reimbursed for \$788,247.
Health Plan of Nevada Las Vegas, Nevada 1C-NM-00-08-049 February 5, 2009	Reviewing Plan's response to the outstanding issues. We expect to resolve all issues within the 180 day standard.
Health Care Service Corporation BlueCross BlueShield of Oklahoma Tulsa, Oklahoma 1A-10-83-08-018 January 9, 2009	Awaiting Plan's response to the outstanding issues. We expect to resolve all issues within the 180 day standard.
Coventry Health Care as Underwriter and Administrator for the Mail Handlers Benefit Plan 1B-45-00-08-016 March 26, 2009	Awaiting Plan's response to the outstanding issues. We expect to resolve all issues within the 180 day standard.
Federal Employees' Group Life Insurance Program Operations at Metropolitan Life Insurance Company Jersey City, New Jersey 2A-II-00-07-017 December 15, 2008	All outstanding audit issues have been resolved and the FEGLI Program has been reimbursed \$547,796.

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

<u>REPORT, REPORT NUMBER, AND DATE</u>	<u>STATUS</u>
Audit of Information Systems General and Application Controls at CareFirst BlueCross BlueShield and the Federal Employees Program Operations Center Washington, DC 1A-10-92-08-021 November 28, 2008	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

Report Date	<u>Determination Date</u>	<u>Audit Number</u>	<u>Audit Name</u>	<u>Receivable as of March 31, 2009</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)	970,034
02/27/2007	08/10/2007	10-09-05-087	BCBS of Alabama	230,410
06/26/2006	12/01/2006	10-11-04-065	BCBS of Massachusetts	288,258
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	429,615
07/28/2004	02/22/2005	10-29-02-047	BCBS of Texas	973,540
03/24/2006	09/15/2006	10-32-05-034	BCBS of Michigan	361,752
05/03/2004	03/11/2005	10-41-03-031	BCBS of Florida	1,773,732
11/17/2004	09/26/2005	10-45-03-012	Anthem BCBS - Kentucky	217,289
06/05/2006	09/15/2006	10-47-05-009	BCBS of Wisconsin	327,292
12/15/2004	09/26/2005	10-55-04-010	Independence BCBS	20,190
01/31/2007	06/04/2007	10-58-06-038	Regence BCBS of Oregon	611,318
08/02/2004	02/11/2005	10-61-04-009	Anthem BCBS of Nevada	10,250
01/03/2007	06/28/2007	10-69-06-028	Regence BCBS of Washington	58,682
09/15/2006	03/15/2007	10-78-05-005	BCBS of Minnesota	1,305,859
10/17/2005	01/17/2006	10-83-05-002	BCBS of Oklahoma	818,458
07/27/2005	11/10/2005	10-85-04-007	BCBS Global COB	1,019,357
02/07/2006	08/15/2006	99-00-04-027	Global Duplicate Claims Payments	978,475
03/29/2007	09/24/2007	99-00-05-023	Global COB Claims Payments	1,402,365
			Subtotal	\$20,286,256

Other Insurance Carriers

Report Date	<u>Determination Date</u>	<u>Audit Number</u>	<u>Audit Name</u>	<u>Receivable as of September 30, 2008</u>
06/20/2005	12/05/2005	80-00-04-058	Group Health Incorporated	3,772,057
			Subtotal	\$ 3,772,057
			Grand Total	\$24,058,313*

* Management Decisions pending on \$2,225,753.

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, 2009, making them more than one year delinquent.

COMMENTS ON UNRESOLVED MANAGEMENT DECISIONS OVER ONE YEAR OLD

Of the \$21,832,560 for which management decisions were not implemented within one year, 17.8 percent, or \$3,893,586, relate to cases put on hold by OPM or cases that have been closed since March 31, 2009. The remaining 82.2 percent, or \$17,938,974, 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, 2008 THROUGH MARCH 31, 2009
ON FINAL REPORTS ISSUED
BY THE OFFICE OF THE INSPECTOR GENERAL**

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



UNITED STATES
OFFICE OF PERSONNEL MANAGEMENT
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