

## **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 April 1, 2006 to September 30, 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.

During this reporting period, OPM has achieved substantial success in accomplishing the goals and objectives established in the Agency's new Strategic and Operational Plan. The new Plan, which was rolled out in February 2006, initiated a new era of achievement and accountability at OPM. The OIG continues to serve an essential role in the management and operations of OPM and in helping the Agency to remain transparent, accountable and successful in accomplishing its goals and objectives.

The results of the OIG efforts this reporting period provide ample 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 issued 22 reports this period of which 14 contained recommendations for monetary adjustments in aggregate of \$34.9 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 was instrumental 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. From April through September 2006, the OIG issued 15 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 protected.

The OIG also contributes to the effectiveness of OPM's operations in other ways such as assisting in strengthening our computer security program and helping to identify and deter acts of criminal and administrative wrongdoing perpetrated against the U.S. Government, through its investigations program. The OIG's contributions are an integral part of the Agency's success in achieving its mission of ensuring the Federal Government has an effective civilian workforce. Here at OPM, we are committed to working with the OIG in carrying out OPM's role as the leader of human resource management within the Federal Government. In addition, we will remain dedicated to OPM's important role as our Government's central and independent leader for protecting and supporting the Federal workforce.

Linda M. Springer  
Director

**MANAGEMENT RESPONSE  
TO THE INSPECTOR GENERAL'S SEMIANNUAL REPORT  
TO CONGRESS  
NOVEMBER 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 April 1, 2006, through September 30, 2006.

We began this period with 17 audit reports pending agency decisions totaling \$25.5 million. The OIG issued 14 new reports with unresolved monetary findings totaling \$34.9 million, bringing the work-in-process to \$60.4 million. Management's decisions on OIG recommendations during this period were \$37.9 million. This amount is a combination of \$25.8 million in "disallowed costs" (requiring payment to OPM) and \$12.1 million in "costs not disallowed" (no required payment to OPM). The balance at the end of the period totals \$22.5 million and relates to six audit reports.

### **COLLECTION OF DISALLOWED COSTS**

At the beginning of the period there were 28 audit reports which had been previously resolved, with \$35.2 million to be collected from the insurance carriers. Management decisions were made on nine reports requiring the insurance carriers to pay \$33.2 million. This brought the number of audit reports with collection action to 37, totaling \$68.4 million including interest and adjustments. During this period, we collected \$13.6 million relating to five audit reports. We also made an adjustment to one audit report totaling \$15.5 million, which leaves a balance of 31 audit reports and \$39.3 million to be collected.

The following table on final action of audits with disallowed costs provides a summary of collection activity for the period April 1, 2006, through September 30, 2006.

**MANAGEMENT REPORT ON FINAL ACTION  
ON AUDITS WITH DISALLOWED COSTS  
REPORTING PERIOD ENDING  
September 30, 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>(04/01/2006)</b>	28	\$35,189
B. 1. Audit reports on which management decisions were made during the period <b>(04/01/2006 - 09/30/2006)</b>	9	\$33,189
2. Interest assessed during period	0	0
C. Total audit reports pending final action during period (total of A and B)	<b>37</b>	<b>\$68,378</b>
D. Audit reports on which final action was taken during the period		
1. Recoveries		
(a) Collections and offsets	5	\$13,594
(b) Property	0	0
(c) Other	1	\$15,482*
2. Write-offs, waiver	0	0
3. Total of 1 and 2	<b>6</b>	<b>\$29,076</b>
E. Audit reports needing final action at the end of the period <b>(09/30/2006)</b> (subtract D3 from C)	<b>31</b>	<b>\$39,302</b>

\* 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**

Kaiser Foundation Health Plan, Inc.  
Northern California Region  
Oakland, California  
1C-59-00-04-019  
May 17, 2005

University of Pittsburgh Medical Center Health Plan  
Pittsburgh, Pennsylvania  
1C-8W-00-06-070  
August 8, 2006

BlueCross BlueShield of Minnesota  
Eagan, Minnesota  
1A-10-78-05-005  
September 15, 2006

BlueCross BlueShield of Massachusetts  
Boston, Massachusetts  
1A-10-11-04-065  
June 26, 2006

AdvancePCS  
Scottsdale, Arizona  
1H-01-00-06-063  
September 7, 2006

Health Network America as Administrator  
for the Panama Canal Area Benefit Plan  
1B-43-00-05-081  
August 22, 2006

Federal Long Term Care Insurance Program  
Portsmouth, New Hampshire  
1G-LT-00-05-080  
May 17, 2006

**STATUS**

Reviewing Plan's response to the outstanding issues. We expect to resolve all outstanding issues within the 180 day standard.

All outstanding audit issues have been resolved and the FEHB Program has been reimbursed for \$825,440.

Reviewing Plan's response to the outstanding issues. We expect to resolve all outstanding issues within the 180 day standard.

Reviewing Plan's response to the outstanding issues. We expect to resolve all outstanding issues within the 180 day standard.

Awaiting Plan's response to the outstanding issues. We expect to resolve all outstanding issues within the 180 day standard.

Awaiting Plan's response to the outstanding audit issues. We expect to resolve all outstanding issues within the 180 day standard.

All outstanding audit issues have been resolved. The amount in question has been corrected to reflect proper record-keeping.

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

**REPORT, REPORT NUMBER, AND DATE**

Audit of Information Systems General and  
Application Controls at the National Association  
of Letter Carriers  
Ashburn, Virginia  
1B-32-00-04-0690  
April 26, 2006

Audit of Information Systems General and  
Application Controls at BlueCross BlueShield  
of North Carolina  
Durham, North Carolina  
1A-10-33-05-027  
July 3, 2006

Audit of Information Systems General and  
Application Controls at Mutual of Omaha  
Omaha, Nebraska  
1B-38-07-05-048  
September 8, 2006

**STATUS**

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.

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**MANAGEMENT DECISIONS NOT IMPLEMENTED WITHIN ONE YEAR**

**Blue Cross and Blue Shield Audits**

<b>Report Date</b>	<b><u>Determination Date</u></b>	<b><u>Audit Number</u></b>	<b><u>Audit Name</u></b>	<b><u>Receivables as of September 30, 2006</u></b>
03/31/2004	09/24/2004	10-00-03-013	BCBS Global COB (Tier 1)	\$ 1,437,838
11/13/2000	08/31/2001	10-06-99-055	BCBS of MD (Owings Mill, MD)	66,542
10/01/2002	09/25/2003	10-15-02-007	BCBS of Tennessee	109,947
08/23/2004	02/22/2005	10-17-02-048	BCBS of Illinois	183,967
05/04/2004	02/22/2005	10-18-03-003	Anthem BCBS Ohio	1,303,638
07/28/2004	02/22/2005	10-29-02-047	BCBS of Texas	1,304,099
05/14/2003	03/19/2004	10-33-02-008	BCBS of North Carolina	92,150
03/01/2004	09/30/2004	10-39-03-004	Anthem BCBS (Indiana Claims & Admin)	71,935
05/10/2000	02/05/2001	10-41-99-017	BCBS of Florida (Jacksonville, FL)	4,082,660
05/03/2004	03/11/2005	10-41-03-031	BCBS of Florida	794,456
08/02/2004	02/11/2005	10-61-04-009	Anthem BCBS of Nevada	443,859
			<b>Subtotal</b>	<b>\$ 9,891,091</b>

**Other Insurance Carriers**

<b>Report Date</b>	<b><u>Determination Date</u></b>	<b><u>Audit Number</u></b>	<b><u>Audit Name</u></b>	<b><u>Receivables as of September 30, 2006</u></b>
02/11/2003	09/30/2003	YQ-00-02-028	Alliance Health Plan	\$ 2,430,000
07/28/2004	03/08/2005	YQ-00-03-110	Alliance Health Plan	570,000
			<b>Subtotal</b>	<b>\$ 3,000,000</b>
			<b>Grand Total</b>	<b>\$12,891,091*</b>

\* Management Decisions pending on \$262,684.

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

Of the \$12,628,407 for which a management decision was not implemented within one year, 56 percent, or \$7,082,660, 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 44 percent, or \$5,545,747, 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  
APRIL 1, 2006 THROUGH SEPTEMBER 30, 2006  
ON FINAL REPORTS ISSUED  
BY THE OFFICE OF THE INSPECTOR GENERAL**

**REPORT AND  
REPORT NUMBER**

The Wellness Plan  
Detroit, Michigan  
1C-K3-00-04-093  
October 7, 2005

**AUDIT FINDINGS**

Defective Pricing  
Lost Investment Income

**MANAGEMENT  
RESULTS**

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.

**AMOUNT  
RECOVERED**

We have not determined the total amount to be recovered on this audit since the legal process is still in progress.