

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

**Management Decisions and Final Actions on the
Office of the Inspector General's Audit Recommendations**

April 1, 2009 - September 30, 2009

Director's Semiannual Report to the Congress

A New Day for the Civil Service



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
NOVEMBER 2009

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, 2009, to September 30, 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 OIG audited a number of our mission-critical activities. Those areas are varied and quite different, ranging from audits of our benefits administration such as the Federal Employees Health Benefits (FEHB) and the Federal Employees' Group Life Insurance (FEGLI) programs to an audit of our newly deployed Consolidated Business Information System (CBIS), as well as audits of our computer technologies and systems. The OIG ensures OPM operates effectively and efficiently, that our employees and annuitants are protected, and that the taxpayers' monies are being expended wisely.

OPM has worked to mitigate completely or initiate plans to address OIG findings related to operational and management issues. In order to provide our internal and external clients with more accurate and timely financial data, OPM retired the legacy financial system and replaced it with CBIS and re-engineered business processes. This addresses many OIG recommendations incurred due to antiquated financial systems and the processes that supported those systems. OPM deployed the first phase of CBIS on October 1, 2009, as scheduled. The second phase is planned in fiscal year 2011.

OPM's Office of the Chief Information Officer (CIO) is reorganizing and the staffing levels will be adjusted to take corrective action related to OIG recommendations—this includes the hiring of a new IT Security Officer. OPM takes seriously the securing of OPM data, the need for documented procedures, and adherence to guidance related to technology, privacy, and all our technology assets. OPM is working diligently to implement plans to satisfy audit findings over the next several months.

OIG audits of benefit providers are also important because the audits aid us in recovering monies, detecting fraud and abuse, and making improvements in the way we conduct business. Because we represent the interests of 2.5 million Federal retirees and survivors, nearly 8 million FEHB enrollees, and over 4 million FEGLI participants, it is imperative we rely on capable auditors such as our OIG. Due to the OIG's efforts, a recommended adjustment of \$23.5 million is due the trust fund from organizations participating in FEHB. OPM needs these audits along with retirement

fraud investigations and other audits to point out areas of improvement so we can eliminate weaknesses and make OPM a stronger organization.

Lastly, audits of OPM consolidated financial statements and consolidated financial balance sheets remain a top priority. OPM received a clean audit opinion on our fiscal year 2009 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.

In closing, today's Civil Service is among the finest in our Nation's history, and it is up to us to share a robust vision for how we prepare ourselves for the challenges of the coming decades including responding to audit findings and recommendations that improve our internal controls and overall management. I appreciate the opportunity to discuss our actions and intentions to strengthen and improve OPM's operations and do our part to keep America moving forward.

John Berry
Director

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

November 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 April 1, 2009, through September 30, 2009.

We began this period with 11 audit reports pending agency decisions totaling \$20.9 million. The OIG issued 16 new reports with unresolved monetary findings totaling \$25.1 million, bringing the work-in-process to \$46.0 million and relates to 27 audit reports. Management's decisions on OIG recommendations during this period were \$35.4 million and related to 15 audit reports. This amount is a combination of \$35.6 million in "disallowed costs" (requiring payment to OPM) and a net -\$0.2 million in "costs not disallowed" (no required payment to OPM). The balance at the end of the period totals \$10.6 million and relates to 12 audit reports.

COLLECTION OF DISALLOWED COSTS

At the beginning of the period there were 52 audit reports which had been previously resolved, with \$61.3 million to be collected from the insurance carriers. Management decisions were made on eight reports requiring the insurance carriers to pay \$35.0 million. Including \$0.1 million in interest and adjustments, this brought the number of audit reports with collection action to 60, totaling \$96.4 million. During this period, we collected \$26.6 million relating to six audit reports. We also made an adjustment to the original debt totaling \$7.4 million, which leaves a balance of 54 audit reports and \$62.4 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, 2009, through September 30, 2009.

**MANAGEMENT REPORT ON FINAL ACTION
ON AUDITS WITH DISALLOWED COSTS
REPORTING PERIOD ENDING
September 30, 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 (4/1/2009)	52	\$61,262
B. 1. Audit reports on which management decisions were made during the period (4/1/2009 – 9/30/2009)	8	\$34,995
2. Interest assessed during period	0	\$ 141
C. Total audit reports pending final action during period (total of A and B)	60	\$96,398
D. Audit reports on which final action was taken during the period		
1. Recoveries		
(a) Collections and offsets	6	\$26,576
(b) Property	0	0
(c) Other	0	\$7,396*
2. Write-offs, waiver	0	0
3. Total of 1 and 2	6	\$33,972
E. Audit reports needing final action at the end of the period (9/30/2009) (subtract D3 from C)	54	\$62,426

* 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 of the
Mid-Atlantic States, Inc.
Rockville, Maryland
1C-E3-00-09-010
August 6, 2009

Univera Healthcare
Buffalo, New York
1C-Q8-00-09-008
September 8, 2009

Global Claims-to-Enrollment Match for
BlueCross and BlueShield Plans
Washington, D.C.
1A-99-00-08-065
June 23, 2009

Global Coordination of Benefits for
BlueCross and BlueShield Plans
Washington, D.C.
1A-99-00-09-011
July 20, 2009

AXA Assistance as Administrator for
the Panama Canal Benefit Plan
Miami, Florida
1B-43-00-08-048
May 20, 2009

STATUS

All outstanding audit issues have been resolved and the FEHB Program has been reimbursed \$7,545,775.

All outstanding audit issues have been resolved and the FEHB Program has been reimbursed \$3,982,122.

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

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

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

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

REPORT, REPORT NUMBER, AND DATE

BlueShield of California Access+ HMO
San Francisco, California
1D-SJ-00-09-021
June 9, 2009

Audit of Information Systems General and
Application Controls at Kaiser Foundation Health Plan,
Northern and Southern California Regions
Oakland and Pasadena, California
1C-59-00-09-002
June 18, 2009

Audit of Information Systems General and
Application Controls at AXA Assistance as
Administrator for the Panama Canal Area Benefit Plan
Panama City, Panama
1B-43-00-08-066
June 18, 2009

Federal Long Term Care Insurance Program
Operations at Long Term Care Partners
Portsmouth, New Hampshire
1G-LT-00-08-047
August 6, 2009

Federal Flexible Spending Account Program
Operations at SHPS, Inc.
Louisville, Kentucky
4A-RI-00-08-015
April 8, 2009

STATUS

All outstanding audit issues have been resolved and the FEHB
Program has been reimbursed \$581,735.

Reviewing the 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.

Reviewing the 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.

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

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

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

REPORT, REPORT NUMBER, AND DATE

STATUS

WellPoint

BlueCross of California's Pharmacy Operations
Administered by WellPoint Health Networks, Inc.,
Mason, Ohio
1D-M5-00-09-015
September 30, 2009

This audit contained no procedural or monetary findings

Federal Blue HMO Ohio's Pharmacy Operations

1D-R5-00-09-016

Blue Choice of Missouri's Pharmacy

1D-9G-00-09-017

UNICARE Life and Insurance Co.'s Pharmacy Operations

1C-17-00-09-018

Administered by WellPoint Health Networks, Inc.,

Mason, Ohio

September 30, 2009

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

MANAGEMENT DECISIONS NOT IMPLEMENTED WITHIN ONE YEAR

BlueCross and BlueShield Audits

<u>Report Date</u>	<u>Determination Date</u>	<u>Audit Number</u>	<u>Audit Name</u>	<u>Receivable as of September 30, 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
06/05/2007	11/15/2007	10-03-06-079	BCBS of New Mexico	44,725
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	288,706
10/01/2002	09/25/2003	10-15-02-007	BCBS of Tennessee	109,099
07/25/2007	01/14/2008	10-15-05-046	BCBS of Tennessee	1,329,959
05/04/2004	02/22/2005	10-18-03-003	ANTHEM BCBS - Ohio	93,177
07/28/2004	02/22/2005	10-29-02-047	BCBS of Texas	973,540
04/25/2007	10/26/2007	10-30-05-069	Anthem Blue Cross of Colorado	366,491
03/24/2006	09/15/2006	10-32-05-034	BCBS of Michigan	361,752
08/28/2007	03/10/2008	10-33-06-037	BCBS of North Carolina	678,562
05/03/2004	03/11/2005	10-41-03-031	BCBS of Florida	1,777,035
11/17/2004	09/26/2005	10-45-03-012	Anthem BCBS - Kentucky	84,995
06/05/2006	09/15/2006	10-47-05-009	BSBC 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	610,144
08/02/2004	02/11/2005	10-61-04-009	Anthem BCBS of Nevada	3,430
01/3/2007	06/28/2007	10-69-06-025	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	203,427
07/27/2005	11/10/2005	10-85-04-007	BCBS Global COB	619,025
02/07/2006	08/15/2006	99-00-04-027	Global Duplicate Claims Payments	963,014
03/29/2007	09/24/2007	99-00-05-023	Global COB Pymts (BCBS Plans)	1,388,683
06/25/2008	01/12/2009	99-00-08-007	Global COB (2006)	677,322
			Subtotal	\$21,865,834

Other Insurance Carriers

<u>Report Date</u>	<u>Determination Date</u>	<u>Audit Number</u>	<u>Audit Name</u>	<u>Receivable as of September 30, 2009</u>
06/20/2005	12/05/2005	80-00-04-058	Group Health Inc.	\$3,772,057
			Subtotal	\$3,772,057
			Grand Total	\$25,637,891*

* Management Decisions pending on \$1,614,473.

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 September 30, 2009, making them more than one year delinquent.

COMMENTS ON UNRESOLVED MANAGEMENT DECISIONS OVER ONE YEAR OLD

Of the \$24,023,418 for which management decisions were not implemented within one year, 15.7 percent, or \$3,772,057, relate to cases put on hold by OPM or cases that have been closed since September 30, 2009. The remaining 84.3 percent, or \$20,251,361, 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, 2009 THROUGH SEPTEMBER 30, 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
1900 E Street, NW
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