

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

**APRIL 1, 2008 - SEPTEMBER 30, 2008**

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

*Working for America*



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



## UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

Washington, DC 20415

The Director

### **MESSAGE FROM THE ACTING DIRECTOR**

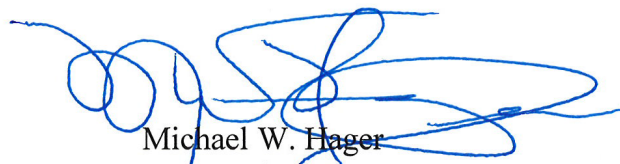
The Office of the Inspector General (OIG) of the U.S. Office of Personnel Management (OPM) has completed its Semiannual Report for the period April 1, 2008, to September 30, 2008. I am transmitting the Report to Congress as required by law, along with the Management Response containing additional information on certain portions of the report where further clarification may be helpful.

In the short time I have been with OPM, I have been very impressed with the high caliber of our workforce. We recently released a new *End-to-End Hiring Roadmap* to Federal departments and agencies. The *Roadmap* is designed to transform the hiring process into a more strategic relationship between hiring managers and the human resources office to better enable agencies to attract, hire, and retain top talent. We recently awarded system integrator and project management contracts to support the development of OPM's new financial system. We are truly excited about the progress we made and will continue to make to improve financial systems service to internal and external customers.

OPM continues to rely on and appreciate the OIG for its independent review of our programs. The OIG ensures OPM and its partners remain accountable and proactive in identifying opportunities for improvements. Over the last six months, the OIG issued 40 final audit reports of our Federal Employees Health Benefits Program (FEHBP) providers. These audits identified various weaknesses and deficiencies with some FEHBP partners, such as claim pricing errors and pension cost overcharges. As a result, 29 of the 40 audit reports contain recommendations for monetary adjustments totaling approximately \$44 million due to OPM. These audits are essential to our stewardship of FEHBP.

The OIG conducts a variety of other services including internal performance audits and healthcare fraud investigations. For example, OIG audited our agreement with the National Archives and Records Administration resulting in recommendations that will strengthen our oversight of record management and retention. The OIG's audit of our Long Term Care Partners identified over \$1.5 million in program overcharges. OIG investigators opened 76 criminal investigations and closed 114 cases related to healthcare fraud, recovering over \$17 million. These types of audits check for proper controls, ensure we are operating effectively and efficiently, and protect the employees, annuitants, and the taxpayer.

In closing, I have always believed that the quality of an organization's employees is the single most important factor in determining its success and effectiveness. I am pleased to convey the OPM OIG Semiannual Report which demonstrates the high quality and commitment of the OPM team.



Michael W. Hager  
Acting Director

**MANAGEMENT RESPONSE  
TO THE INSPECTOR GENERAL'S SEMIANNUAL REPORT  
TO CONGRESS  
November 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 April 1, 2008, through September 30, 2008.

We began this period with 19 audit reports pending agency decisions totaling \$33.0 million. The OIG issued 29 new reports with unresolved monetary findings totaling \$44.1 million, bringing the work-in-process to \$77.1 million and relates to 48 audit reports. Management's decisions on OIG recommendations during this period were \$42.8 million and related to 33 audit reports. This amount is a combination of \$43.1 million in "disallowed costs" (requiring payment to OPM) and a net  $-.3$  million in "costs not disallowed" (no required payment to OPM). The balance at the end of the period totals \$34.3 million and relates to 15 audit reports.

### **COLLECTION OF DISALLOWED COSTS**

At the beginning of the period there were 38 audit reports which had been previously resolved, with \$35.5 million to be collected from the insurance carriers. Management decisions were made on 15 reports requiring the insurance carriers to pay \$43.0 million. This brought the number of audit reports with collection action to 53, totaling \$78.5 million including interest and adjustments. During this period, we collected \$29.5 million relating to 11 audit reports. We also made an adjustment to the original debt totaling \$9.0 million, which leaves a balance of 42 audit reports and \$40.0 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, 2008, through September 30, 2008.

**MANAGEMENT REPORT ON FINAL ACTION  
ON AUDITS WITH DISALLOWED COSTS  
REPORTING PERIOD ENDING  
September 30, 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 <b>(4/1/2008)</b>	38	\$35,506
B. 1. Audit reports on which management decisions were made during the period <b>(4/1/2008 – 9/30/2008)</b>	15	\$43,011
2. Interest assessed during period	0	\$ 0
C. Total audit reports pending final action during period (total of A and B)	<b>53</b>	<b>\$78,517</b>
D. Audit reports on which final action was taken during the period		
1. Recoveries		
(a) Collections and offsets	11	\$29,515
(b) Property	0	0
(c) Other	0	\$8,995*
2. Write-offs, waiver	0	0
3. Total of 1 and 2	<b>11</b>	<b>\$38,510</b>
E. Audit reports needing final action at the end of the period <b>(9/30/2008)</b> (subtract D3 from C)	<b>42</b>	<b>\$40,007</b>

\* This represents adjustments to original debt.

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

<b><u>REPORT, REPORT NUMBER, AND DATE</u></b>	<b><u>STATUS</u></b>
Kaiser Foundation Health Plan, Inc. Northern and Southern California Regions Pasadena, California 1C-59-00-07-018 1C-62-00-07-019 May 28, 2008	All outstanding audit issues have been resolved and the FEHB Program has been reimbursed for \$1,988,953 and \$1,874,425 respectively.
UPMC Health Plan Pittsburgh, Pennsylvania 1C-8W-00-07-028 July 25, 2008	Reviewing Plan's response to the outstanding issues. We expect to resolve all issues within the 180 day standard.
Global Coordination of Benefits for BlueCross and BlueShield Plans Washington, DC 1A-99-00-08-009 August 11, 2008	Awaiting Plan's response to the outstanding issues. We expect to resolve all issues within the 180 day standard.
Health Care Service Corporation Chicago, Illinois and Richardson, Texas 1A-99-00-07-043 September 5, 2008	Awaiting Plan's response to the outstanding issues. We expect to resolve all issues within the 180 day standard.
Global Duplicate Claim Payments for BlueCross and BlueShield Plans Washington, DC 1A-99-00-08-008 September 11, 2008	Awaiting 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**

<b><u>REPORT, REPORT NUMBER, AND DATE</u></b>	<b><u>STATUS</u></b>
Audit of Information Systems General and Application Controls at BlueCross BlueShield of Massachusetts Boston, Massachusetts 1A-10-11-08-001 May 28, 2008	Reviewing 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.
Long Term Care Partners, LLC Portsmouth, New Hampshire 1G-LT-00-07-055 August 4, 2008	Awaiting Plan's response to the outstanding issues. We expect to resolve all outstanding issues within the 180 day standard.
AdvancePCS Scottsdale, Arizona 1H-01-00-04-102 September 29, 2008	All outstanding non-monetary audit issues have been resolved. The OIG did not question any monetary funds in this audit report.
AdvancePCS Scottsdale, Arizona 1H-01-00-06-040 September 29, 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**

<u>Report Date</u>	<u>Determination Date</u>	<u>Audit Number</u>	<u>Audit Name</u>	<u>Receivable as of September 30, 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)	970,034
06/26/2006	12/01/2006	10-11-04-065	BCBS of Massachusetts	287,615
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	1,837,558
11/17/2004	09/26/2005	10-45-03-012	Anthem BCBS - Kentucky	226,634
06/05/2006	09/15/2006	10-47-05-009	BCBS of Wisconsin	327,292
10/05/2006	03/22/2007	10-49-04-072	Horizon BCBS of New Jersey	23,369
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	10,250
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	692,642
07/27/2005	11/10/2005	10-85-04-007	BCBS Global COB	1,026,998
02/07/2006	08/15/2006	99-00-04-027	Global Duplicate Claims Payments	978,475
			<b>Subtotal</b>	<b>\$17,961,203</b>

**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, 2008</u>
06/20/2005	12/05/2005	80-00-04-058	Group Health Incorporated	3,772,057
			<b>Subtotal</b>	<b>\$ 3,772,057</b>
			<b>Grand Total</b>	<b>\$21,733,260*</b>

\* Management Decisions pending on \$2,094,550.

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, 2008, making them more than one year delinquent.

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

Of the \$19,638,710 for which a management decision was not implemented within one year, 19.3 percent, or \$3,795,426, relate to appealed cases or cases that have been closed since September 30, 2008. The remaining 80.7 percent, or \$15,843,284, 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, 2008 THROUGH SEPTEMBER 30, 2008  
ON FINAL REPORTS ISSUED  
BY THE OFFICE OF THE INSPECTOR GENERAL**

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



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OFFICE OF PERSONNEL MANAGEMENT  
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