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# FEHB Program Carrier Letter

## Experience-rated Carriers

U.S. Office of Personnel Management  
Healthcare and Insurance

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Letter No. 2011 - 09

Date: April 27, 2011

Fee-for-service [7]    Experience-rated HMO [7]    Community-rated HMO [ n/a ]

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### **SUBJECT: Guidance for the Preparation of Audited Financial Statements for Federal Fiscal Year 2011**

The *FEHBP Financial Reporting and Audit Guide* [the "Guide"] presents detailed requirements for financial reporting due from ALL carriers as well as auditing requirements for certain carriers.

The U.S. Office of Management and Budget (OMB) requires that all Federal agencies, including OPM, publish their financial statements by November 15, 2011 - 45 days after the end of the Federal Fiscal Year (FY). To meet this deadline, OPM has worked closely with many of the carriers in developing its financial reporting and auditing requirements.

#### **FY 2010 FINANCIAL REPORTING REQUIREMENTS**

As presented in the Guide, all carriers must submit a Federal FY *Schedule of Selected Balances (SSB)* no later than **October 11, 2011**. This is critical because it will provide much of the information OPM needs to prepare its financial statements within OMB's deadline.

June 30, 2011 Close (Primary Audit Coverage Only). A key component of the auditing approach by OPM's independent auditor is the financial information that carriers subject to primary audit coverage must prepare as of and for the six or nine months ended June 30. The SSB is found in Appendix B. **In addition, management is required to provide an explanation for each line item of the SSB for the primary and secondary carriers with a percentage variance from the previous year's quarter exceeding five percent (5%) and ten percent (10%), respectively.** The reports are not required to be audited.

“Circular A-123, Management’s Responsibility for Internal Control” assigns responsibility to all agencies for establishing and maintaining internal controls to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations. We are requiring a management official from each *Primary Audit Coverage* Carriers to provide OPM with a letter documenting its ability or lack thereof to adhere to “Internal Controls” for the period October 1, 2010, through August 31, 2011, no later than close of business September 6 and any subsequent events for the Federal FY Ended September 30, no later than **close of business October 6** (see Appendix I for sample letter).

## AUDITING REQUIREMENTS

**Primary Audit Coverage.** Primary audit coverage pertains to carriers that had claims expenses of \$135 million or more in contract (calendar) year 2010. The applicable carriers that have elected Option 2 must submit, in addition to audited financial statements as of and for September 30, 2011, a report on compliance with laws, regulations and internal controls in accordance with Generally Accepted Government Auditing Standards (GAGAS), and a report on the application of certain agreed-upon-procedures.

**Secondary Audit Coverage.** Secondary audit coverage pertains to carriers that had claims expenses of less than \$135 million in contract (calendar) year 2010. The applicable carriers that have elected Option 2 in the Guide must submit audited financial statements as of and for September 30, 2011. However, they are not required to provide a report on compliance with laws, regulations and internal controls, nor agreed-upon-procedures. It is important to note carriers that would otherwise be subject to secondary audit coverage may, at the contracting officer's discretion, be made subject to some primary audit coverage.

Please submit two copies of the FY 2011 financial statements to:

U.S. Office of Personnel Management  
1900 E Street NW, Room 3H25  
Washington, D.C. 20415-1100  
Attention: Danita Green

If you have any questions about the requirements for the audited FY 2011 financial statements, please direct them to [Danita.Green@opm.gov](mailto:Danita.Green@opm.gov) of the Trust Funds Group, fax number (202) 606-1338, with a copy to your contract representative.

Sincerely,

John O'Brien  
Director  
Healthcare and Insurance

Enclosure