
FEHB Program Carrier Letter

Experience-Rated Carriers

U.S. Office of Personnel Management
Healthcare and Insurance

Letter No. 2019-11

Date: September 11, 2019

Fee-for-service [8] Experience-rated HMO [8] Community-rated HMO [n/a]

SUBJECT: Guidance for the Preparation of Audited Financial Statements for Federal Fiscal Year 2019

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 carriers.

The U.S. Office of Management and Budget (OMB) requires that all Federal agencies, including the Office of Personnel Management (OPM), publish their financial statements by November 15, 2019, in order to meet the Federal Fiscal Year (FY) requirements. To meet this deadline, OPM has worked closely with many of the carriers in developing its financial reporting and auditing requirements.

FY 2019 FINANCIAL REPORTING REQUIREMENTS

As presented in the Guide, all carriers must submit a Federal FY *Schedule of Selected Balances (SSB)* no later than **1 pm Eastern Standard Time on October 8, 2019**. This is critical because it will provide much of the information OPM needs to prepare its financial statements within OMB's deadline. 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%) if greater than \$2.5 million and ten percent (10%) if greater than \$1.0 million, respectively.** The reports are not required to be audited.

June 30, 2019 Close (Primary Audit Coverage Only). A key component of the auditing approach adopted by OPM's independent auditor is the financial information that carriers must prepare, as of and for June 30, for the six or nine months period (see page 6).

OMB 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 require a management official from each *Primary Audit Coverage* Carrier to provide OPM with a letter documenting its ability or lack thereof to adhere to internal controls for the period October 1, 2018, through August 31, 2019, 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 7** (see Appendix I for sample letter).

AUDITING REQUIREMENTS

Primary Audit Coverage. Primary audit coverage pertains to carriers that had claims expenses of \$350 million or more in contract (calendar) year 2018. The applicable carriers that have elected Option 2 must submit, in addition to audited financial statements as of and for September 30, 2019, 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 \$350 million in contract (calendar) year 2018. The applicable carriers that have elected Option 2 in the Guide must submit audited financial statements as of and for September 30, 2019. However, they are not required to provide a report on compliance with laws, regulations and internal controls, or 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 2019 financial statements to:

U.S. Office of Personnel Management
1900 E Street NW, Room 5478
Washington, D.C. 20415-1100
Attention: Danita Green

If you have any questions about the requirements for the audited FY 2019 financial statements, please direct them to Danita.Green@opm.gov and Kevin.Lawrence@opm.gov of the OPM CFO Trust Funds Group, fax number (202) 606-2277, with a copy to your Health Insurance Specialist.

Sincerely,

Laurie Bodenheimer
Acting Director
Healthcare and Insurance

Enclosure