
FEHB Program Carrier Letter

All Experience-Rated Carriers

U.S. Office of Personnel Management
Insurance Services Program

Letter No. 2004-10

Date: September 14, 2004

Fee-for-Service [07]

Experience-rated HMO [08]

Community-rated HMO [x]

Subject: Guidance for the Preparation of Audited Financial Statements for Federal Fiscal Year 2004

President Bush's Management Agenda articulates the Administration's strategy for improving the management and performance of government, including a requirement that Federal agencies publish more timely financial information. As a consequence, the U.S. Office of Management and Budget (OMB) requires that all Federal agencies, including OPM, publish their financial statements by November 15, 2004 – 45 days after the end of the Federal fiscal year (FY). To meet this deadline, OPM has worked closely with many of the carriers to reconsider almost all of its financial reporting and auditing requirements.

The *FEHBP Financial Reporting and Audit Guide* [the "Guide"] presents detailed requirements for the financial reporting due from ALL carriers as of and for FY 2004, as well as auditing requirements for certain carriers. These requirements are not reiterated here. This letter provides guidance for those carriers that have elected "Option 2" [audited financial statements as of and for September 30] in the Guide and, thereby, are required to submit audited financial statements to OPM as of and for September 30, 2004.

FY 2004 FINANCIAL REPORTING

As presented in the Guide, all carriers must submit a *Schedule of Selected Balances* no later than **October 12, 2004**. This is critical because it will provide much of the information OPM needs to prepare its financial statements within OMB's deadline.

Those carriers that have elected Option 1 [audited financial statements as of and for December 31] in the Guide are **no longer required** to submit financial statements [other than the *Schedule of Selected Balances*] as of and for September 30. These carriers can therefore disregard the requirements enclosed with this letter.

As mentioned above, those carriers that have elected Option 2 must continue to submit to OPM audited financial statements as of and for September 30, 2004, prepared in accordance with the enclosed requirements. For FY 2004, these statements are due to OPM no later than **December 15, 2004**.

AUDITING REQUIREMENTS

Primary Audit Coverage. Primary audit coverage pertains to carriers that had claims expenses of \$90 million or more in the previous contract year. The applicable carriers that have elected Option 2 must submit, in addition to audited financial statements as of and for September 30, 2004, 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 \$90 million in the previous contract year. The applicable carriers that have elected Option 2 in the Guide must submit audited financial statements as of and for September 30, 2004. 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 four copies of the FY 2004 financial statements to:

U.S. Office of Personnel Management
Business Units & Financial Services Group
Trust Funds Branch
Attention: Melanese Wynn/Laxman Pai
1900 E Street NW, Room 3H19
Washington, DC 20415-0001

If you have any questions about the requirements for the audited FY 2004 financial statements, please direct them to Mr. Michael Long of the Financial Policy Group on 202-606-3357 or michael.long@opm.gov.

Sincerely,

Frank D. Titus
Assistant Director
for Insurance Services

Enclosures