



**U.S. OFFICE OF PERSONNEL MANAGEMENT
OFFICE OF THE INSPECTOR GENERAL
OFFICE OF AUDITS**

Final Audit Report

**Audit of Florida Blue
Jacksonville, Florida**

**Report Number 2024-ERAG-002
January 8, 2025**

EXECUTIVE SUMMARY

Audit of Florida Blue

Report No. 2024-ERAG-002

January 8, 2025

Why did we conduct the audit?

We conducted this limited scope audit to obtain reasonable assurance that Florida Blue (Plan), plan codes 090/590, is complying with the provisions of the Federal Employees Health Benefits Act and regulations that are included, by reference, in the Federal Employees Health Benefits Program (FEHBP) contract. The objectives of our audit were to determine if the Plan charged costs to the FEHBP and provided services to FEHBP members in accordance with the terms of Contract CS 1039.

What did we audit?

Our audit covered miscellaneous health benefit payments and credits, such as cash receipt and provider offset refunds, for contract year 2018 through June 30, 2023, and administrative expense charges for contract years 2018 through 2022, as reported in the Annual Accounting Statements. We also reviewed the Plan's cash management activities and practices related to FEHBP funds for contract year 2018 through June 30, 2023, and the Plan's Fraud and Abuse Program activities for contract year 2021 through June 30, 2023.



Michael R. Esser
*Assistant Inspector General
for Audits*

What did we find?

We questioned \$8,466,906 in health benefit charges, net administrative expense overcharges, cash management activities, and lost investment income (LII), and identified a procedural finding for the Plan's processing of cash receipt refunds. The Blue Cross Blue Shield Association (Association) and/or Plan agreed with \$1,407,240 and disagreed with \$7,059,666 of these questioned amounts and agreed with the procedural finding for the cash receipt refunds. As part of our review, we verified that the Plan subsequently returned \$1,407,240 of the uncontested questioned amounts to the FEHBP because of the audit.

Our audit results are summarized as follows:

- **Miscellaneous Health Benefit Payments and Credits** – Due to the Plan's lack of due diligence with recovery efforts, we questioned \$6,792,912 where the Plan had not recovered and/or returned funds to the FEHBP for 135 claim overpayments. We also questioned \$804,721 for subrogation recoveries, \$249,632 for medical drug rebates, \$29,443 for special plan invoice amounts, and \$20,586 for provider offset refunds that had not been returned to the FEHBP as of June 30, 2023, and \$267,283 for applicable LII calculated on funds that were returned untimely to the FEHBP. Additionally, we identified procedural exceptions for cash receipt refunds that were returned untimely to the FEHBP during the scope and prior to our audit notification date.
- **Administrative Expenses** – We questioned \$151,665 in net administrative expense overcharges and LII, consisting of \$138,843 for several out-of-system adjustments that were net overcharged to the FEHBP and \$12,822 for LII on the questioned overcharges.
- **Cash Management** – We determined that the Plan held an excess working capital deposit of \$125,946 and excess FEHBP funds of \$8,128 in the dedicated Federal Employee Program (FEP) investment account as of June 30, 2023. We also questioned interest income of \$16,590 that the Plan had not returned to the FEHBP as of June 30, 2023. This questioned interest income was earned on FEHBP funds that were held in the dedicated FEP investment account during April 2023 and May 2023.
- **Fraud and Abuse Program** – The Plan is complying with the communication and reporting requirements for fraud and abuse cases set forth in Contract CS 1039 and FEHBP Carrier Letter 2017-13.

ABBREVIATIONS

Association	Blue Cross Blue Shield Association
BCBS	Blue Cross and/or Blue Shield
BCBSA	Blue Cross Blue Shield Association
CFR	Code of Federal Regulations
FAR	Federal Acquisition Regulations
FEHB	Federal Employees Health Benefits
FEHBAR	Federal Employees Health Benefits Acquisition Regulations
FEHBP	Federal Employees Health Benefits Program
FEP	Federal Employee Program
FSTS	FEP Special Investigations Unit Tracking System
Guidelines	Letter of Credit System Guidelines
LII	Lost Investment Income
LOCA	Letter of Credit Account
OIG	Office of the Inspector General
OPM	U.S. Office of Personnel Management
OSA	Out-of-System Adjustment
Plan	Florida Blue
SPI	Special Plan Invoice
WC	Working Capital

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I. BACKGROUND

This final report details the findings, conclusions, and recommendations from our limited scope audit of the Federal Employees Health Benefits Program (FEHBP) operations at Florida Blue (Plan). The Plan is located in Jacksonville, Florida.

The audit was performed by the U.S. Office of Personnel Management's (OPM) Office of the Inspector General (OIG), as established by the Inspector General Act of 1978, as amended.

The FEHBP was established by the Federal Employees Health Benefits (FEHB) Act (Public Law 86-382), enacted on September 28, 1959. The FEHBP was created to provide health insurance benefits for federal employees, annuitants, and dependents. OPM's Healthcare and Insurance Office has overall responsibility for administration of the FEHBP. The provisions of the FEHB Act are implemented by OPM through regulations, which are codified in Title 5, Chapter 1, Part 890 of the Code of Federal Regulations (CFR). Health insurance coverage is made available through contracts with various health insurance carriers.

The Blue Cross Blue Shield Association (Association or BCBSA), on behalf of participating local Blue Cross and/or Blue Shield (BCBS) plans, has entered into a governmentwide Service Benefit Plan contract (Contract CS 1039) with OPM to provide a health benefit plan authorized by the FEHB Act. The Association delegates authority to participating local BCBS plans throughout the United States to process the health benefit claims of the FEHBP members. The Plan is one of 33 BCBS companies participating in the FEHBP. These 33 companies include 60 local BCBS plans.

The Association has established a Federal Employee Program (FEP¹) Director's Office in Washington, D.C. to provide centralized management for the Service Benefit Plan. The FEP Director's Office coordinates the administration of the contract with the Association, member BCBS plans, and OPM.

The Association has also established an FEP Operations Center. The activities of the FEP Operations Center are performed by the Service Benefit Plan Administrative Services Corporation, an affiliate of CareFirst BCBS, located in Washington, D.C. These activities include acting as intermediary for claims processing between the Association and local BCBS plans, processing and maintaining subscriber eligibility, adjudicating member claims on behalf of BCBS plans, approving or disapproving the reimbursement of local plan payments of FEHBP claims (using computerized system edits), maintaining a history file of FEHBP claims, and maintaining claims payment data.

¹ Throughout this report, when we refer to "FEP," we are referring to the Service Benefit Plan lines of business at the Plan. When we refer to the "FEHBP," we are referring to the program that provides health benefits to federal employees, annuitants, and eligible family members.

Compliance with laws and regulations applicable to the FEHBP is the responsibility of the Association and Plan management. In addition, working in partnership with the Association, the Plan's management is responsible for establishing and maintaining a system of internal controls.

All findings from our previous audit of the Plan (Report No. 1A-10-41-18-008, dated January 29, 2019), covering contract year 2012 through August 31, 2017, have been satisfactorily resolved.

The results of this audit were provided to the Plan in written audit inquiries; were discussed with Plan and/or Association officials throughout the audit and at an exit conference on July 23, 2024; and were presented in detail in a draft report, dated August 16, 2024. The Association's comments offered in response to the draft report were considered in preparing our final report and are included as an Appendix to this report. Also, additional documentation provided by the Association and/or Plan on various dates through October 23, 2024, was considered in preparing our final report.

II. OBJECTIVES, SCOPE, AND METHODOLOGY

OBJECTIVES

The objectives of our audit were to determine whether the Plan charged costs to the FEHBP and provided services to FEHBP members in accordance with the terms of the contract. Specifically, our objectives were as follows:

Miscellaneous Health Benefit Payments and Credits

- To determine whether miscellaneous payments charged to the FEHBP were in compliance with the terms of the contract.
- To determine whether credits and miscellaneous income relating to FEHBP health benefit payments (such as health benefit refunds, subrogation recoveries, and medical drug rebates) were returned timely to the FEHBP.

Administrative Expenses

- To determine whether administrative expenses charged to the contract were actual, allowable, necessary, and reasonable expenses incurred in accordance with the terms of the contract and applicable laws and regulations.

Cash Management

- To determine whether the Plan handled FEHBP funds in accordance with the contract and applicable laws and regulations concerning cash management in the FEHBP.

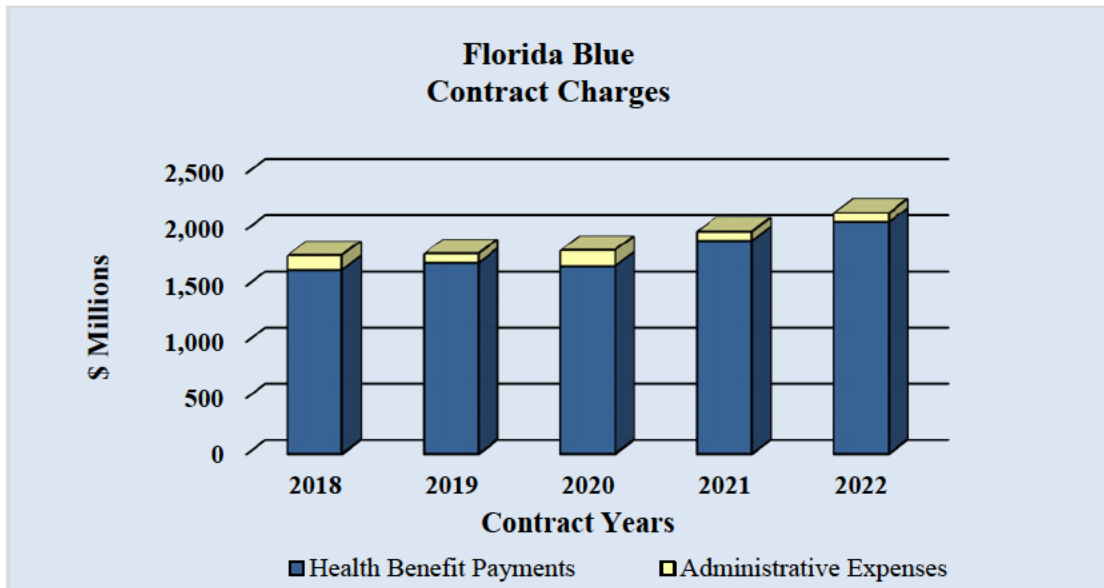
Fraud and Abuse Program

- To determine whether the Plan's communication and reporting of fraud and abuse cases complied with the terms of Contract CS 1039 and FEHBP Carrier Letter 2017-13.

SCOPE

We conducted our limited scope performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We reviewed the Blue Cross and Blue Shield FEHBP Annual Accounting Statements pertaining to Florida Blue (plan codes 090/590) for contract years 2018 through 2022. During this five-year period, the Plan paid approximately \$8.95 billion in FEHBP health benefit payments and charged the FEHBP approximately \$515 million in administrative expenses (see chart on the next page).



Specifically, we reviewed miscellaneous health benefit payments and credits (such as cash receipt and provider offset refunds, subrogation recoveries, and medical drug rebates) for contract year 2018 through June 30, 2023, and administrative expense charges for contract years 2018 through 2022, as reported in the Annual Accounting Statements. We also reviewed the Plan’s cash management activities and practices related to FEHBP funds for contract year 2018 through June 30, 2023, and the Plan’s Fraud and Abuse Program activities for contract year 2021 through June 30, 2023.

In planning and conducting our audit, we obtained an understanding of the Plan’s internal control structure to help determine the nature, timing, and extent of our auditing procedures. This was determined to be the most effective approach to select areas of audit. For those areas selected, we primarily relied on substantive tests of transactions and not tests of controls. Based on our testing, we did not identify significant matters involving the Plan’s internal control structure and operations. However, since our audit would not necessarily disclose all significant matters in the internal control structure, we do not express an opinion on the Plan’s system of internal controls taken as a whole.

We also conducted tests to determine whether the Plan had complied with the contract, the applicable procurement regulations (i.e., Federal Acquisition Regulations (FAR) and Federal Employees Health Benefits Acquisition Regulations (FEHBAR), as appropriate), and the laws and regulations governing the FEHBP. The results of our tests indicate that, with respect to the items tested, the Plan did not comply with all provisions of the contract and federal regulations. Exceptions noted in the areas reviewed are set forth in detail in the “Audit Findings and Recommendations” section of this audit report. With respect to the items not tested, nothing came to our attention that caused us to believe that the Plan had not complied, in all material respects, with those provisions.

In conducting our audit, we relied to varying degrees on computer-generated data provided by the Plan and the FEP Director's Office. Due to time constraints, we did not verify the reliability of the data generated by the various information systems involved. However, while utilizing the computer-generated data during our audit, nothing came to our attention to cause us to doubt its reliability. We believe that the data was sufficient to achieve our audit objectives.

The audit fieldwork was mostly performed as a desk audit in our Jacksonville, Florida; Cranberry Township, Pennsylvania; and Washington, D.C. offices from January 31, 2024, through July 23, 2024, except for three site visits to the Plan's offices in Jacksonville, Florida from March 19 through March 21, 2024, April 9 through April 11, 2024, and May 14 through May 16, 2024. Throughout the audit process, the Plan did a very good job providing complete and timely responses to our numerous requests for explanations and supporting documentation. We greatly appreciated the Plan's cooperation and responsiveness during the pre-audit and fieldwork phases of this audit.

METHODOLOGY

We obtained an understanding of the internal controls over the Plan's financial, cost accounting, and cash management systems by inquiry of Plan officials.

We interviewed Plan personnel and reviewed the Plan's policies, procedures, and accounting records during our audit of miscellaneous health benefit payments and credits. For contract year 2018 through June 30, 2023, we judgmentally selected and reviewed the following FEP items:

*Health Benefit Refunds*²

- A high dollar sample of 75 FEP health benefit refunds returned via provider offsets, totaling \$24,236,464 (from a universe of 299,242 FEP refunds returned via provider offsets, totaling \$211,805,045 for the audit scope). Our sample consisted of the 75 highest dollar provider offsets from the audit scope, which included offsets from \$176,989 to \$2,043,436.
- A high dollar sample of 150 FEP cash receipt health benefit refunds, totaling \$13,934,083 (from a universe of 99,007 FEP cash receipt refunds, totaling \$54,082,343 for the audit scope). Our sample consisted of the 25 highest dollar cash receipt refunds from each year of the audit scope, which included refunds from \$23,016 to \$807,049.

² The Plan's FEP universes of cash receipt and provider offset refunds consisted of items such as solicited and/or unsolicited refunds (claim overpayment recoveries), hospital bill audit recoveries, provider audit recoveries, and/or fraud recoveries.

Other Health Benefit Payments, Credits, and Recoveries

- All 65 monthly FEP subrogation recovery amounts, totaling \$40,882,646, for the audit scope.
- A high dollar sample of 50 uncollected FEP claim overpayments, totaling \$5,324,130 (from a universe of 1,708 uncollected FEP claim overpayments, totaling \$8,279,715 as of June 30, 2023). Our sample consisted of the 50 highest dollar uncollected claim overpayments as of June 30, 2023, which included all uncollected claim overpayments from \$38,527 to \$942,100. We reviewed these uncollected claim overpayments to determine if the Plan made diligent efforts to recover the applicable funds.
- A high dollar sample of 60 FEP claim overpayment write-offs, totaling \$5,129,312 (from a universe of 97,835 FEP claim overpayment write-offs, totaling \$19,860,825 for the audit scope). Our sample consisted of the 10 highest dollar overpayment write-offs from each year of the audit scope, which included write-offs from \$17,633 to \$501,550. We reviewed these claim overpayment write-offs to determine if the Plan made diligent efforts to recover the applicable funds before writing these overpayments off.
- A judgmental sample of 62 FEP medical drug rebate amounts, totaling \$4,963,402 (from a universe of 168 FEP medical drug rebate amounts, totaling \$5,348,522 for the audit scope). Our sample included all medical drug rebate amounts of \$15,000 or more from the audit scope and five additional medical drug rebate amounts that were selected based on our nomenclature review of the universe. The sample consisted of medical drug rebate amounts ranging from \$45 to \$442,074.
- All 20 FEP fraud recoveries, totaling \$714,600, for the audit scope that were returned to the FEHBP via the special plan invoice process.
- All seven FEP provider settlements, totaling \$1,668,735 in net payments, for the audit scope. We reviewed these provider settlements to determine if the Plan properly calculated, charged and/or credited these settlements to the FEHBP.
- A judgmental sample of 32 special plan invoices (SPI) for miscellaneous health benefit payments and credits, totaling \$3,787,571 in net FEP payments (from a universe of 998 SPIs, totaling \$14,370,047 in net FEP credits for the audit scope). We judgmentally selected these SPIs based on our nomenclature review of high dollar invoice amounts. Specifically, we selected two SPIs with the highest dollar payment amounts and two SPIs with the highest dollar credit amounts (excluding SPIs for subrogation recoveries, medical drug rebates, fraud recoveries, and provider settlements, which we reviewed separately) from each year of the audit scope (if applicable). Additionally, we selected the SPI with the highest dollar credit amount of uncashed claim payment checks from each year of the audit scope, and four SPIs with subrogation recovery amounts that were

received by the Plan in contract year 2017 (prior to the audit scope) and processed and/or returned to the FEHBP in contract years 2018 and 2019 (during the audit scope). SPIs are used by the Plan to process items such as miscellaneous health benefit payment and credit transactions to the FEHBP that require manual adjustments and do not include primary claim payments.

We reviewed these samples to determine if health benefit refunds and recoveries, medical drug rebates, and miscellaneous credits were timely returned to the FEHBP and if miscellaneous payments were properly charged to the FEHBP. The results of these samples were not projected to the universe of miscellaneous health benefit payments and credits, since we did not use statistical sampling.

We judgmentally reviewed administrative expenses charged to the FEHBP for contract years 2018 through 2022. Specifically, we reviewed administrative expenses relating to cost centers; natural accounts; accounts payable transactions; allocations; pensions; post-retirement benefits; employee health benefits; employee compensation limits; out-of-system adjustments (OSA); prior period adjustments; non-recurring items/projects; return on investment; Association dues; lobbying; and Patient Protection and Affordable Care Act fees.³ We used the FEHBP contract, the FAR, the FEHBPBAR, and/or the Affordable Care Act (Public Law 111-148) to determine the allowability, allocability, and reasonableness of charges.

We reviewed the Plan's cash management activities and practices to determine whether the Plan handled FEHBP funds in accordance with Contract CS 1039 and applicable laws and regulations. Specifically, we reviewed letter of credit account (LOCA) drawdowns, working capital calculations, adjustments and/or balances, United States Department of Treasury offsets, and interest income transactions for contract year 2018 through June 30, 2023, as well as the Plan's dedicated FEP investment account activity during the audit scope and balance as of June 30, 2023. As part of our testing, we selected and reviewed a judgmental sample of 142 LOCA drawdowns, totaling \$2,859,194,792 (from a universe of 1,366 LOCA drawdowns, totaling \$9,916,364,208 for contract year 2018 through June 30, 2023), for the purpose of determining if the Plan's LOCA drawdowns were appropriate and adequately supported. Our sample included the two highest dollar LOCA drawdowns from each month of the audit scope. The sample also

³ In general, the Plan records administrative expense transactions to natural accounts that are then allocated through cost centers to the Plan's various lines of business, including the FEP. For contract years 2018 through 2022, the Plan allocated administrative expenses of \$485,075,770 (before adjustments) to the FEHBP, from 388 cost centers that contained 61 natural accounts. From this universe, we selected a judgmental sample of 62 cost centers to review, which totaled \$194,914,747 in expenses allocated to the FEHBP. We also selected a judgmental sample of 34 natural accounts to review, which totaled \$199,589,031 in expenses allocated to the FEHBP through the cost centers. For contract year 2022, we additionally reviewed a sample of accounts payable transactions that were judgmentally selected from cost centers and natural accounts that were charged to the FEHBP. Because of the way we select and review each of these samples, there is a duplication of some of the administrative expenses tested. We selected these cost centers, natural accounts, and accounts payable transactions based on high dollar amounts, our nomenclature review, and/or our trend analysis. We reviewed the expenses from these cost centers, natural accounts, and accounts payable transactions for allowability, allocability, and reasonableness. The results of these samples were not projected to the universe of administrative expenses, since we did not use statistical sampling.

included 10 additional LOCA drawdowns that were selected based on our nomenclature review of the universe. The sample results were not projected to the universe of LOCA drawdowns, since we did not use statistical sampling.

We also interviewed the Plan's Special Investigations Unit personnel regarding the compliance of the Fraud and Abuse Program, as well as reviewed the Plan's communication and reporting of fraud and abuse cases for contract year 2021 through June 30, 2023, to test compliance with Contract CS 1039 and FEHBP Carrier Letter 2017-13.

III. AUDIT FINDINGS AND RECOMMENDATIONS

A. MISCELLANEOUS HEALTH BENEFIT PAYMENTS AND CREDITS

1. Claim Overpayment Recovery Efforts

\$6,792,912

Because of the Plan’s lack of due diligence with recovery efforts, the Plan had not recovered and/or returned funds to the FEHBP for 50 uncollected FEP claim overpayments, totaling \$2,245,611, that were paid to Network Provider South Florida and Network Provider Central Florida.⁴ Although the Plan mailed refund request letters to these providers, we noted that the Plan had not pursued additional recovery efforts required by the Contract, such as using provider offsets and/or third-party collections, for these 50 overpayments. We also determined that the Plan inappropriately wrote off 64 FEP claim overpayments, totaling \$3,045,976, as part of a settlement agreement with Network Provider Central Florida. Specifically, the Plan discontinued recovery efforts for these 64 claim overpayments after negotiating a settlement with Network Provider Central Florida to write off all uncollected claim overpayments with service dates through December 31, 2021, for all lines-of-business, including the FEP. Additionally, the Plan had not made diligent efforts to recover 21 FEP member claim overpayments totaling \$1,501,325. We recognize that the Plan mailed the standard refund request letters to the applicable members for these 21 claim overpayments. However, after receiving no responses from the members, the Plan should have continued additional recovery efforts, such as sending certified letters, offsetting future FEP member benefit payments, and/or using third-party collections, to recover these 21 claim overpayments. Based on Contract CS 1039, the Plan must make prompt and diligent efforts to recover erroneous benefit payments until the debts are paid in full or determined to be uncollectible. The Plan must also make additional prompt and diligent efforts for claim overpayments exceeding \$10,000. As the Plan did not provide support that these claim overpayments were uncollectible, we can only conclude that the Plan did not make all reasonable and diligent efforts to recover these funds required by the Contract. Accordingly, the Plan should continue to pursue and recover these 135 claim overpayments, totaling \$6,792,912, from the applicable health care providers and/or FEP members.

Contract CS 1039, Part II, Section 2.3(g) states, “If the Carrier [or OPM] determines that a Member’s claim has been paid in error for any reason . . . the Carrier shall make a prompt and diligent effort to recover the erroneous payment to the member from the member or, if to the provider, from the provider.” Section 2.3(g) also states, “Prompt and diligent effort to recover erroneous payments means that upon discovering that an erroneous payment exists, the Carrier shall –

⁴ Instead of specifically naming these network health care providers, we are referring to these providers as Network Provider South Florida and Network Provider Central Florida in the audit finding.

- (1) Send a written notice of erroneous payment to the member or provider . . .
- (2) After confirming that the debt does exist . . . send follow-up notices . . . at 30, 60 and 90 day intervals, if the debt remains unpaid and undisputed;
- (3) The Carrier may offset future Benefits payable . . . to a provider on behalf of the Member to satisfy a debt due under the FEHBP if the debt remains unpaid and undisputed for 120 days after the first notice . . .
- (4) After applying the first three steps, refer cases when it is cost effective to do so to a collection attorney or a collection agency if the debt is not recovered; . . .
- (5) Make prompt and diligent effort to recover erroneous payments until the debt is paid in full or determined to be uncollectible by the Carrier because it is no longer cost effective to pursue further collection efforts or it would be against equity and good conscience to continue collection efforts;
- (6) Additional prompt and diligent efforts are required for significant claim overpayments that exceed \$10,000 per each claim. Examples of such efforts include copies of dated notices, offset attempt(s) made, certified letter communication(s), and third-party collection efforts to the extent required under (g)(4) above. The Carrier should maintain and provide to OPM upon request, documentation of those efforts.”

Regarding reportable monetary findings, Contract CS 1039, Part III, Section 3.16 (a) states, “Audit findings . . . in the scope of an OIG audit are reportable as questioned charges unless the Carrier provides documentation supporting that the findings were already identified and corrected . . . prior to audit notification.”

Uncollected FEP Claim Overpayments

We selected and reviewed a high dollar sample of 50 uncollected FEP claim overpayments, totaling \$5,324,130, to determine if the Plan made diligent efforts to recover the applicable funds (see the Methodology Section on page 6 of this report for the universe and sampling details). Due to significant exceptions identified during our initial review of the uncollected FEP claim overpayments that were applicable to Network Provider South Florida, we expanded our testing and selected 37 additional uncollected claim overpayments, totaling \$1,172,545, to review. Our expanded review consisted of all uncollected FEP claim overpayments as of June 30, 2023, that exceeded \$10,000, were paid to Network Provider South Florida, and were not included in our initial sample.

Based on our review, we identified the following 65 exceptions, totaling \$3,309,697, for these uncollected FEP claim overpayments:

- The Plan had not pursued additional recovery efforts for 49 uncollected FEP claim overpayments, totaling \$2,154,390, that were applicable to Network Provider South Florida and 1 uncollected FEP claim overpayment, totaling \$91,221, applicable to Network Provider Central Florida. Since these claim overpayments were each over \$10,000, the contract specifically requires the Plan to make additional prompt and diligent recovery efforts. For these uncollected claim overpayments, we determined that the Plan mailed the four standard refund request letters to these providers but had not made additional prompt and diligent efforts to recover these overpayments, such as sending certified letters, calling the providers, setting up provider offsets, using third-party collections, and/or documenting the reasons for the delays and/or disagreements, as required by Contract CS 1039. Since these claim overpayments were each over \$10,000, the Plan should have set up provider offsets to recover these overpayments and/or referred them to third-party collections since these options are considered reasonable recovery efforts. According to the Plan, these additional recovery efforts were not made because of ongoing network negotiations with these providers. It is our understanding that there are no exceptions in the FEHBP contract that preclude the Plan from pursuing all reasonable efforts to recover and return FEP claim overpayments to the FEHBP. Based on our extensive experience with auditing experience-rated health insurance carriers, we have noted that using provider offsets to recover claim overpayments from network providers is a standard industry practice by carriers, including the BCBS plans. Therefore, we are questioning \$2,245,611 (\$2,154,390 plus \$91,221) for these 50 (49 plus 1) claim overpayments that have not been recovered and returned to the FEHBP from Network Provider South Florida and Network Provider Central Florida.
- The Plan had not made diligent efforts to recover 15 FEP member claim overpayments totaling \$1,064,086. For these uncollected claim overpayments, we determined that the Plan mailed the four standard refund request letters to the applicable FEP members but had not made additional prompt and diligent efforts to recover these overpayments, such as sending certified letters, calling the members, offsetting future FEP member benefit payments, referring the members to third-party collections, and/or documenting the reasons for delays and/or disagreements, as required by Contract CS 1039. Based on the contract, the Plan should take all reasonable steps to increase the chances of recovering the FEP member claim overpayments, especially overpayments exceeding \$10,000.

FEP Claim Overpayment Write-offs

We selected and reviewed a sample of 60 overpayment write-offs, totaling \$5,129,312, to determine if the Plan made prompt and diligent efforts to recover the applicable funds before writing these overpayments off (see the Methodology Section on page 6 of this report for the universe and sampling details). Due to significant exceptions identified during our initial review of FEP claim overpayment write-offs that were applicable to

Network Provider Central Florida, we expanded our testing and selected an additional 41 FEP claim overpayment write-offs, totaling \$1,085,793, to review. Our expanded review consisted of all FEP uncollected claim overpayments that were included in the Plan's negotiated write-off settlement with Network Provider Central Florida that exceeded \$10,000 and were not included in our initial sample.

Based on our review, we identified the following 70 exceptions, totaling \$3,483,215, for FEP claim overpayment write-offs:

- The Plan inappropriately wrote off 64 uncollected FEP claim overpayments totaling \$3,045,976. These 64 claim overpayments were all paid to Network Provider Central Florida. The Plan wrote off these uncollected claim overpayments because the Plan negotiated a settlement with this network provider, resulting in no recovery of funds, and agreed to discontinue all recovery efforts for uncollected claim overpayments with service dates through December 31, 2021, for all lines-of-business, including the FEP. However, the Plan provided no supporting documentation to adequately justify writing off these FEP claim overpayments. As per the settlement, the Plan discontinued all recovery efforts for these claim overpayments. All of these claim overpayments were over \$10,000; therefore, at a minimum, the Plan should have referred these overpayments to third-party collections before writing them off. Because of the Plan's lack of due diligence, these FEP claim overpayments were not recovered.
- The Plan inappropriately wrote off six claim overpayments, totaling \$437,239, that were for FEP members. For these six claim overpayments, we determined that the Plan mailed the standard refund request letters to the applicable members but had not made additional prompt and diligent efforts to recover these overpayments, such as mailing certified letters, calling the members, offsetting future FEP member benefit payments, and/or sending the FEP members to third-party collections. After asking additional follow-up questions to the Plan, we were told that the Plan does not send FEP member claim overpayments to a collection attorney or agency. Since these claim overpayments exceeded \$10,000, the Plan should have made additional efforts to recover these funds based on the contract requirements. Although we recognize that several refund request letters were mailed to the members (including additional letters after the standard four refund request letters) before these claim overpayments were written off, we still conclude overall that the Plan did not make adequate diligent efforts to recover these funds before writing them off.

Summary of Exceptions

The Plan was not diligent in its efforts to recover and/or return 135 claim overpayments, totaling \$6,792,912, to the FEHBP.

In total, we determined that the Plan was not diligent in its efforts to recover and/or return 135 claim overpayments (50 plus 15 plus 64 plus 6), totaling \$6,792,912 (\$2,245,611 plus \$1,064,086 plus \$3,045,976 plus \$437,239), to the FEHBP. Based on our sample results

and the Plan's supporting schedules for the uncollected FEP claim overpayments and FEP claim overpayment write-offs, we recognize that the Plan mailed several refund request letters to Network Provider South Florida and Network Provider Central Florida and/or the applicable FEP members (including several additional letters after mailing the four standard refund request letters) for most of these questioned claim overpayments. However, there appeared to be no instances where these providers and/or FEP members had responded to the Plan's refund request letters, even in all cases where the Plan had mailed additional monthly letters (as many as 85 letters for an overpayment) over multiple years. After receiving no responses to the standard refund request letters, the Plan should have continued with additional types of recovery efforts (besides mailing additional monthly letters), such as sending certified letters, calling the providers and/or FEP members, setting up provider offsets, offsetting future member benefit payments, and/or using third-party collections, making all reasonable efforts to recover these FEP claim overpayments exceeding \$10,000. We believe that the Plan's practice of mailing excessive numbers of monthly refund request letters to unresponsive providers and/or FEP members is wasteful and unreasonably costly to the FEHBP because of the additional processing and postage charges.

Recommendation 1

We recommend that the contracting officer require the Plan to recover and return \$3,309,697 to the FEHBP for the 65 questioned uncollected claim overpayments. If these overpayments are determined to be uncollectible, then the contracting officer should require the Plan to provide adequate documentation demonstrating that all prompt and diligent efforts were made, including use of provider offsets, future FEP member benefit payment offsets, and/or third-party collections, to recover these funds before writing them off, as required by the FEHBP contract.

Association/Plan Response:

The Association states, "The Plan continues to disagree with this recommendation. Documentation to support due diligence recovery efforts will be submitted to OPM Audit Resolution and Compliance after the final report is released."

OIG Comments:

In response to the draft report, the Plan provided additional documentation to support that 15 of the questioned uncollected claim overpayments in the draft report were actually paid correctly by the Plan but inadvertently set up as overpayments. After reviewing the Plan's supporting documentation, we revised the audit finding and recommendation for the final report by removing these previously questioned claim overpayments. Because of the audit finding, the Plan also reviewed the 21 (15 plus 6) questioned uncollected claim overpayments for FEP members and determined that 9 of these members were no longer with the BCBS Service Benefit Plan, and therefore were subsequently referred to third-party collections. The remaining 12 FEP member claim overpayments were subsequently set up as account receivables in the FEP Direct Claims System. We appreciate the Plan's continuing efforts to pursue these FEP member claim overpayments but believe that most of these funds would have already been recovered and returned to the FEHBP had the Plan researched and diligently pursued these overpayments after receiving no responses to the refund request letters. There appeared to be no instances where these providers and/or FEP members responded to the Plan's refund request letters.

Recommendation 2

We recommend that the contracting officer require the Plan to return \$3,483,215 to the FEHBP for the 70 questioned claim overpayments that were inappropriately written off, as prompt and diligent efforts to recover these overpayments, including use of provider offsets, future FEP member benefit payment offsets, and/or third-party collections, were not made.

Association/Plan Response:

The Association states, "The Plan continues to disagree with this recommendation. Documentation to support due diligence recovery efforts will be submitted to OPM Audit Resolution and Compliance after the final report is released."

OIG Comments:

The FEHBP contract includes due diligence requirements for documenting and pursuing the recovery of claim overpayments. Although we recognize that the Plan mailed several refund request letters to the providers and FEP members for these claim overpayments, the Plan did not make adequate efforts to recover these funds before writing them off. Again, the Plan should have pursued all reasonable and diligent efforts to recover these funds, including use of provider offsets, future member benefit payment offsets, and/or third-party collections.

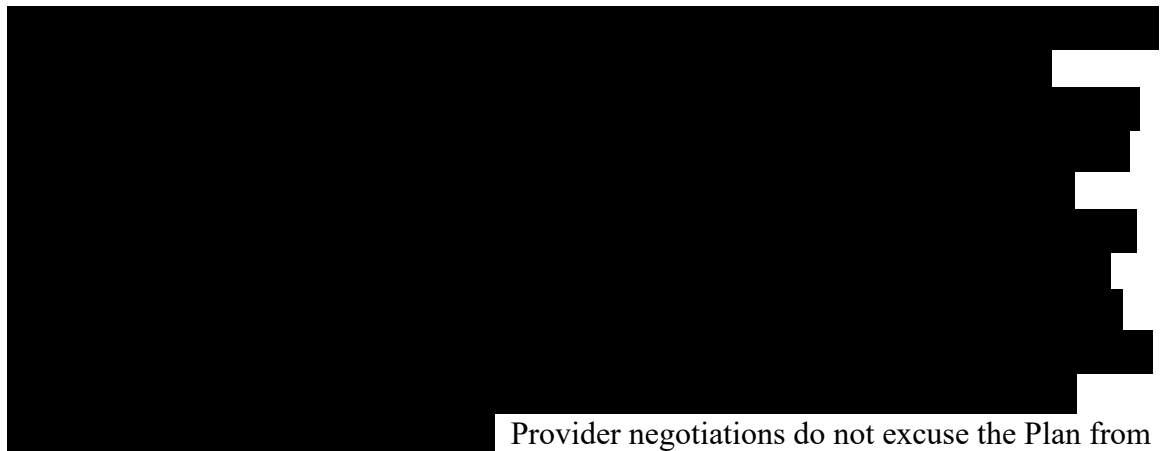
Recommendation 3

We recommend that the contracting officer require the Association to provide evidence or documentation demonstrating that the Plan has implemented the necessary corrective actions to ensure that claim overpayments are adequately pursued, monitored, recovered, and returned to the FEHBP, as required by Section 2.3(g) of Contract CS 1039. If the options are available and cost effective, the Plan should use provider offsets, future FEP member benefit payment offsets, and/or third-party collections to recover claim overpayments. The Plan should also avoid negotiating provider agreements with claim overpayment recovery exclusions that adversely effect the FEHBP and contradict Section 2.3(g) of the FEHBP contract, such as excluding the use of provider offsets and/or third-party collections to recover overpayments. The contracting officer should also require the Association to provide a certification that the Plan has implemented these corrective actions.

Association/Plan Response:

The Association states, “The Plan and the Association disagree with this recommendation. The Plan is contractually prohibited from netting this provider. Additionally, according to the CS1039 Contract, the Plan must ‘provide the debtor with an opportunity to dispute the existence and amount of the debt before proceeding with collection activities’ (CS1039 § 2.3(g)(v)(1)). The Association and the Plan will collaborate to supply evidence once the final report is released.”

OIG Comments:



Provider negotiations do not excuse the Plan from following the overpayment recovery requirements set forth in the FEHBP contract (e.g., regarding provider offsets and/or third-party collections). Again, based on our understanding, there are no exceptions in Section 2.3(g) of the FEHBP contract that preclude the Plan from pursuing all reasonable efforts to recover and return claim overpayments to the FEHBP.

We agree with the Association that the Plan must give the provider or FEP member an opportunity to dispute the existence and amount of a claim overpayment before proceeding with third-party collections. For the 135 questioned uncollected claim overpayments, we noted that the Plan gave the providers and/or FEP members multiple opportunities to dispute and/or respond to the applicable claim overpayments by sending at least several refund request letters in all cases. However, there appeared to be no instances where the providers and/or FEP members disputed the applicable claim overpayments because there appeared to be no responses to the Plan’s refund request letters.

2. Subrogation Recoveries

\$968,644

Our audit determined that the Plan had not returned two monthly subrogation recovery amounts, totaling \$804,721, to the FEHBP as of June 30, 2023. The Plan subsequently returned these questioned subrogation recoveries to the FEHBP in July and August of 2023, approximately two months late, after receiving our audit notification letter, and/or because of our audit. Also, the Plan untimely returned 62 monthly subrogation recovery amounts, totaling \$39,548,126, to the FEHBP during the audit scope. Since the Plan returned these 62 monthly subrogation recovery amounts to the FEHBP during the audit scope and prior to our audit notification date, we did not question this total principal amount as a monetary finding. As a result, we are questioning \$968,644 for this audit finding, consisting of \$804,721 for the questioned subrogation recoveries and \$163,923 for applicable lost investment income (LII) on the subrogation recoveries that were returned untimely to the FEHBP.

Contract CS 1039, Part II, Section 2.3 (i) states, “All health benefit refunds and recoveries, including erroneous payment recoveries, must be deposited into the working capital or investment account within 30 days and returned to or accounted for in the FEHBP letter of credit account within 60 days after receipt by the Carrier.”

48 CFR 52.232-17(a) states, “all amounts that become payable by the Contractor . . . shall bear simple interest from the date due . . . The interest rate shall be the interest rate established by the Secretary of the Treasury . . . which is applicable to the period in which the amount becomes due, . . . and then at the rate applicable for each six-month period as fixed by the Secretary until the amount is paid.”

Regarding reportable monetary findings, Contract CS 1039, Part III, Section 3.16 (a) states, “Audit findings . . . in the scope of an OIG audit are reportable as questioned charges unless the Carrier provides documentation supporting that the findings were already identified and corrected (i.e., . . . untimely health benefit refunds were already processed and returned to the FEHBP) prior to audit notification.”

For contract year 2018 through June 30, 2023, there were 65 monthly FEP subrogation recovery amounts, totaling \$40,882,646, that were received by the Plan during the audit scope. From this universe, we selected and reviewed all these monthly subrogation recovery amounts to determine if the Plan timely returned these recoveries to the FEHBP. We noted that the Plan returned all these monthly subrogation recovery amounts to the FEHBP via the special plan invoice (SPI) process. As part of the SPI process, the Plan deposited these monthly subrogation recovery amounts into the dedicated FEP investment account and then returned the funds to the FEHBP via letter of credit account (LOCA) drawdown adjustments.

Based on our review, we identified the following recurring subrogation recovery exceptions:

- The Plan had not returned two monthly subrogation recovery amounts, totaling \$804,721, to the FEHBP as of June 30, 2023. The Plan subsequently returned \$490,814 of these questioned subrogation recoveries to the FEHBP in July 2023 and \$313,907 in August 2023. We noted that these subrogation recoveries were returned to the FEHBP approximately two months late, after receiving our audit notification letter (dated July 3, 2023), and/or because of our audit. Therefore, we are questioning these subrogation recoveries as a monetary finding as well as \$6,241 for LII on these recoveries that were returned untimely to the FEHBP (as calculated by the OIG).
- The Plan returned 62 monthly subrogation recovery amounts, totaling \$39,548,126, untimely to the FEHBP during the audit scope. Specifically, we noted that the Plan deposited these monthly subrogation recovery amounts into the dedicated FEP investment account from 25 to 360 days late, before returning these funds to the FEHBP via LOCA drawdown adjustments. Since the Plan returned these subrogation recoveries to the FEHBP during the audit scope and prior to our audit notification date, we did not question this total principal amount of \$39,548,126 as a monetary finding. However, since these 62 monthly subrogation recovery amounts were deposited untimely into the dedicated FEP investment account, we are questioning applicable LII of \$157,682 on these recoveries (as calculated by the OIG).

In total, 64 (2 plus 62) of the monthly FEP subrogation recovery amounts in the universe (or 98 percent) were deposited untimely into the Plan's dedicated FEP investment account, ranging from 25 to 360 days late, and 41 of these monthly amounts (or 63 percent) were returned untimely to the FEHBP via LOCA drawdown adjustments, ranging from 1 to 330 days late.

Although a refund cash advance is not required by the FEHBP contract, we recognize that the Plan calculated and deposited a refund advance of approximately \$1.3 million (as of February 29, 2012) into the LOCA to cover potential LII on cash receipt refunds that are returned untimely to the FEHBP. However, we noted that items such as subrogation

recoveries, medical drug rebates, fraud recoveries, and provider settlements that are potentially returned untimely to the FEHBP via the SPI process were not included in the Plan's calculation to determine this refund advance amount as of February 29, 2012. We also verified that since February 29, 2012, and as of June 30, 2023, the Plan had not recalculated and/or adjusted this refund advance amount. In addition, based on the Plan's analysis of the refund advance, we noted that the Plan's advance of \$1.3 million appeared to be underfunded by approximately \$200,000 (on average) for the scope of our audit (contract year 2018 through June 30, 2023) to cover potential LII on all health benefit refunds and recoveries that were due to the FEHBP.⁵ Therefore, we calculated LII on the monthly subrogation recovery amounts that were deposited untimely into the Plan's dedicated FEP investment account and/or returned untimely to the LOCA.

The Plan had not returned two monthly FEP subrogation recovery amounts, totaling \$804,721, to the FEHBP as of June 30, 2023.

As part of our review, we verified that the Plan subsequently returned the questioned subrogation recoveries of \$804,721 to the FEHBP via LOCA drawdown adjustments in July and August of 2023. For the questioned LII amounts of \$163,923 (\$157,682 plus \$6,241) calculated on the subrogation recoveries that were returned untimely to the

FEHBP, although the Plan believes that the refund advance of \$1.3 million is adequate to cover potential LII on all health benefit refunds and recoveries (including the monthly subrogation recovery amounts) that are returned untimely to the FEHBP, the Plan has agreed to return the questioned LII of \$163,923 to the FEHBP by November 30, 2024.

Recommendation 4

We recommend that the contracting officer require the Plan to return \$804,721 to the FEHBP for the questioned subrogation recoveries. However, since we verified that the Plan subsequently returned \$804,721 to the FEHBP for the questioned subrogation recoveries, no further action is required for this amount.

Association/Plan Response:

The Association and/or Plan agree with this recommendation.

Recommendation 5

We recommend that the contracting officer require the Plan to return \$163,923 to the FEHBP for the questioned LII on calculated on the monthly subrogation recovery amounts that were returned untimely to the FEHBP.

⁵ The Plan provided a refund advance analysis to the OIG on April 23, 2024, covering the scope of our audit.

Association/Plan Response:

The Association states, “The Plan continues to disagree with the LII finding and believes the cash advance provided to the Program [LOCA] encompasses all refund issues. However, as a sign of good faith and to expedite the closure of this audit and recommendation, the Plan will credit the funds to the Program by November 30, 2024.”

OIG Comments:

Although the Plan disagrees with this recommendation, we consider this recommendation resolved since the Plan has agreed to return the questioned LII to the FEHBP by November 30, 2024. After the contracting officer verifies that the Plan has returned the questioned LII of \$163,923 to the FEHBP, no further action will be required for this LII amount.

Recommendation 6

We recommend that the contracting officer require the Association to provide evidence or supporting documentation demonstrating that the Plan has implemented the necessary corrective actions to ensure that subrogation recoveries are timely returned to the FEHBP (i.e., deposited into the FEP investment account within 30 days after receipt and returned to the LOCA via drawdown adjustments within 60 days after receipt). The contracting officer should also require the Association to provide a certification that the Plan has implemented these corrective actions.

Association/Plan Response:

The Association states, “The Plan will perform an analysis and adjust the amount deposited into the refund advance, by January 31, 2025, which will also be updated to cover any payments that do not meet the timeliness requirement.

In addition, the Plan will review [their] procedures to determine if timeliness can be improved within [their] business processes by January 31, 2025, and submit to BCBSA for review.”

3. Medical Drug Rebates \$270,635

Our audit determined that the Plan had not returned seven medical drug rebate amounts, totaling \$249,632, to the FEHBP as of June 30, 2023. The Plan subsequently returned these questioned medical drug rebates to the FEHBP in July 2023, ranging from 40 to 90 days late, after receiving our audit notification letter, and/or because of our audit. Also, the Plan untimely returned ■ medical drug rebate amounts, totaling \$4,639,776, to the FEHBP during the audit scope. Since the Plan returned these ■ medical drug rebate amounts to the FEHBP during the audit scope and prior to our audit notification date, we

did not question this total principal amount as a monetary finding. As a result, we are questioning \$270,635 for this audit finding, consisting of \$249,632 for the questioned medical drug rebates and \$21,003 for applicable LII on the medical drug rebates that were returned untimely to the FEHBP.

48 CFR 31.201-5 states, “The applicable portion of any income, rebate, allowance, or other credit relating to any allowable cost and received by or accruing to the contractor shall be credited to the Government either as a cost reduction or by cash refund.”

As previously cited from Contract CS 1039, all health benefit refunds and recoveries must be deposited into the dedicated FEP investment account within 30 days and returned to the LOCA within 60 days after receipt by the Carrier. Also, as previously cited from FAR 52.232-17(a), all amounts that become payable by the Contractor should include simple interest from the date due.

Regarding reportable monetary findings, Contract CS 1039, Part III, Section 3.16 (a) states, “Audit findings . . . in the scope of an OIG audit are reportable as questioned charges unless the Carrier provides documentation supporting that the findings were already identified and corrected (i.e., . . . untimely health benefit refunds were already processed and returned to the FEHBP) prior to audit notification.”

The Plan participates in medical drug rebate programs with various drug manufacturers. The drug rebates are determined based on medical claims for the applicable drugs, which are primarily administered in the physician’s office. The Plan receives medical drug rebates multiple times a year (usually on a quarterly basis) and credits them to the participating groups, including the FEP.

For contract year 2018 through June 30, 2023, the Plan received [REDACTED] FEP medical drug rebate amounts, totaling \$5,348,522, from various drug manufacturers. From this universe, we selected and reviewed a judgmental sample of [REDACTED] medical drug rebate amounts, totaling \$4,963,402, to determine if the Plan timely returned these funds to the FEHBP. Our sample included all medical drug rebate amounts of \$15,000 or more from the audit scope as well as five additional medical drug rebate amounts that were selected based on our nomenclature review of the universe. We noted that the Plan returned these medical drug rebates to the FEHBP via the SPI process. As part of the SPI process, the Plan deposited these medical drug rebates into the dedicated FEP investment account and then returned the funds to the FEHBP via LOCA drawdown adjustments.

Based on our review, we identified the following recurring medical drug rebate exceptions:

- The Plan had not returned [REDACTED] medical drug rebate amounts, totaling \$249,632, to the FEHBP as of June 30, 2023. The Plan subsequently returned these questioned medical drug rebates to the FEHBP on multiple dates in July 2023. We noted that

these medical drug rebates were returned to the FEHBP from 40 to 90 days late, after receiving our audit notification letter (dated July 3, 2023), and/or because of our audit. Therefore, we are questioning these medical drug rebates as a monetary finding as well as \$2,140 for applicable LII on these medical drug rebates that were returned untimely to the FEHBP (as calculated by the OIG).

- The Plan returned [REDACTED] medical drug rebate amounts, totaling \$4,639,776, untimely to the FEHBP during the audit scope. Specifically, we noted that the Plan deposited these medical drug rebate amounts into the dedicated FEP investment account from 18 to 162 days late, before returning these funds to the FEHBP via LOCA drawdown adjustments. Since the Plan returned these medical drug rebates to the FEHBP during the audit scope and prior to our audit notification date, we did not question this total principal amount of \$4,639,776 as a monetary finding. However, since these [REDACTED] medical drug rebate amounts were deposited untimely into the Plan’s dedicated FEP investment account, we are questioning applicable LII of \$18,863 on these medical drug rebates (as calculated by the OIG).

In total, [REDACTED] of the medical drug rebate amounts in our sample (or 98 percent) were deposited untimely into the Plan’s dedicated FEP investment account, ranging from 18 to 162 days late, and [REDACTED] of these amounts (or 89 percent) were returned untimely to the LOCA, ranging from 4 to 132 days late.

The Plan calculated and deposited a refund advance of approximately \$1.3 million (as of February 29, 2012) into the LOCA to cover potential LII on cash receipt refunds that are returned untimely to the FEHBP. However, we noted that medical drug rebates that are potentially returned untimely to the FEHBP via the SPI process were not included in the Plan’s calculation to determine the refund cash advance (see the “Subrogation Recoveries” audit finding for the full refund cash advance details). Therefore, we calculated LII on all medical drug rebate amounts that were deposited untimely into the Plan’s dedicated FEP investment account and/or returned untimely to the LOCA.

As part of our review, we verified that the Plan subsequently returned the questioned medical drug rebates of \$249,632 to the FEHBP in July 2023. For the questioned LII of \$21,003 (\$18,863 plus \$2,140) calculated on the medical drug rebates that were returned untimely to the FEHBP, although the Plan believes that the refund advance of \$1.3 million is adequate to cover potential LII on all health benefit refunds and recoveries (including medical drug rebates) that are returned untimely to the FEHBP, the Plan has agreed to return the questioned LII of \$21,003 to the FEHBP by November 30, 2024.

Recommendation 7

We recommend that the contracting officer require the Plan to return \$249,632 to the FEHBP for the questioned medical drug rebates. However, since we verified that the

Plan subsequently returned \$249,632 to the FEHBP for the questioned medical drug rebates, no further action is required for this amount.

Association/Plan Response:

The Association and/or Plan agree with this recommendation.

Recommendation 8

We recommend that the contracting officer require the Plan to return \$21,003 to the FEHBP for the questioned LII calculated on medical drug rebates that were returned untimely to the FEHBP.

Association/Plan Response:

The Association states, “The Plan continues to disagree with the LII finding and believes the cash advance provided to the Program [LOCA] encompasses all refund issues. However, as a sign of good faith and to expedite the closure of this audit and recommendation, the Plan will credit the funds to the Program by November 30, 2024.”

OIG Comments:

Although the Plan disagrees with this recommendation, we consider this recommendation resolved since the Plan has agreed to return the questioned LII to the FEHBP by November 30, 2024. After the contracting officer verifies that the Plan has returned the questioned LII of \$21,003 to the FEHBP, no further action will be required for this LII amount.

Recommendation 9

We recommend that the contracting officer require the Association to provide evidence or supporting documentation demonstrating that the Plan has implemented the necessary corrective actions to ensure that medical drug rebates are timely returned to the FEHBP (i.e., deposited into the FEP investment account within 30 days after receipt and returned to the LOCA via drawdown adjustments within 60 days after receipt). The contracting officer should also require the Association to provide a certification that the Plan has implemented these corrective actions.

Association/Plan Response:

The Association states, “The Plan will perform an analysis and adjust the amount deposited into the refund advance, by January 31, 2025, which will also be updated to cover any payments that do not meet the timeliness requirement.

In addition, the Plan will review [their] procedures to determine if timeliness can be improved within [their] business processes by January 31, 2025, and submit to BCBSA for review.”

4. Special Plan Invoices

\$111,271

Our audit determined that the Plan had not returned two SPI amounts for a fraud recovery and a provider settlement, totaling \$29,443, to the FEHBP as of June 30, 2023. The Plan subsequently returned these questioned SPI amounts to the FEHBP in November 2023 and June 2024, after receiving our audit notification letter and because of our audit. Also, the Plan untimely returned 25 SPI amounts, totaling \$5,658,821, to the FEHBP during the audit scope. Since the Plan returned these 25 SPI amounts to the FEHBP during the audit scope and prior to our audit notification date, we did not question this total principal amount as a monetary finding. As a result, we are questioning \$111,271 for this audit finding, consisting of \$29,443 for the questioned SPI amounts and \$81,828 for applicable LII on the SPI amounts that were returned untimely to the FEHBP.

As previously cited from Contract CS 1039, all health benefit refunds and recoveries must be deposited into the dedicated FEP investment account within 30 days and returned to the LOCA within 60 days after receipt by the Carrier. Also, as previously cited from FAR 52.232-17(a), all amounts that become payable by the Contractor should include simple interest from the date due.

Regarding reportable monetary findings, Contract CS 1039, Part III, Section 3.16 (a) states, “Audit findings . . . in the scope of an OIG audit are reportable as questioned charges unless the Carrier provides documentation supporting that the findings were already identified and corrected (i.e., . . . untimely health benefit refunds were already processed and returned to the FEHBP) prior to audit notification.”

Special Plan Invoices – Sample of Universe

For contract year 2018 through June 30, 2023, there were 998 SPIs, totaling \$14,370,047 in net FEP credits, for miscellaneous health benefit payments and credits. From this universe, we selected and reviewed a judgmental sample of 32 SPIs, totaling \$3,787,571 in net FEP payments, to determine if the Plan properly calculated, charged and/or credited these SPI amounts to the FEHBP. We judgmentally selected these SPIs based on our nomenclature review of high dollar invoice amounts. Specifically, we selected two SPIs with the highest dollar payment amounts and two SPIs with the highest dollar credit amounts (excluding SPIs for subrogation recoveries, medical drug rebates, fraud recoveries, and provider settlements, which we reviewed separately) from each year of the audit scope (if applicable). Additionally, we selected the SPI with the highest dollar credit amount of uncashed claim payment checks from each year of the audit scope, and four SPIs with subrogation recovery amounts that were received by the Plan in contract

year 2017 (prior to the audit scope) and processed and/or returned to the FEHBP in contract years 2018 and 2019 (during the audit scope).

Based on our review, we determined that the Plan untimely returned seven SPI amounts, totaling \$4,962,566, to the FEHBP during the audit scope. Of these, four SPIs were for subrogation recoveries that were received in contract year 2017 and processed and returned to the FEHBP in contract years 2018 and 2019, two SPIs were for provider settlement recoveries that were received in contract year 2017 and processed and returned to the FEHBP in contract year 2018, and one SPI was for an FEP Clinical Quality Incentive overpayment recovery that was received in contract year 2018 and processed and returned to the FEHBP in contract year 2019. We noted that the Plan deposited these SPI amounts into the dedicated FEP investment account from 57 to 481 days late. Since the Plan returned these SPI amounts to the FEHBP during the audit scope and prior to our audit notification date, we did not question these SPI principal amounts of \$4,962,566 as a monetary finding. However, since these SPI amounts were deposited untimely into the Plan's dedicated FEP investment account, we are questioning LII of \$78,753 on these SPI recovery amounts (as calculated by the OIG).

Special Plan Invoices – Fraud Recoveries

For contract year 2018 through June 30, 2023, there were 20 FEP fraud recoveries, totaling \$714,600, that were received by the Plan and/or returned to the FEHBP via the SPI process. From this universe, we selected and reviewed all of these fraud recoveries to determine if the Plan timely returned these recoveries to the FEHBP. We noted that the Plan returned each of these fraud recoveries to the FEHBP via the SPI process during or after the audit scope.

Based on our review, we identified the following exceptions:

- In one instance, the Plan had not returned a fraud recovery, totaling \$17,095, to the FEHBP as of June 30, 2023. The Plan subsequently returned this questioned fraud recovery to the FEHBP in November 2023, more than 60 days after receipt, after receiving our audit notification letter, and because of the audit. Specifically, we noted that the Plan deposited this fraud recovery into the dedicated FEP investment account 112 days late, before returning the funds to the FEHBP via LOCA drawdown adjustment. Therefore, we are questioning this fraud recovery as a monetary finding as well as \$258 for applicable LII on these funds that were returned untimely to the FEHBP (as calculated by the OIG).
- The Plan returned 18 fraud recoveries, totaling \$696,255, untimely to the FEHBP during the audit scope. Specifically, we noted that the Plan deposited these fraud recoveries into the dedicated FEP investment account from 22 to 145 days late, before returning these funds to the FEHBP via LOCA drawdown adjustments. Since the

Plan returned these fraud recoveries to the FEHBP during the audit scope and prior to our audit notification date, we did not question this total principal amount of \$696,255 as a monetary finding. However, since these 18 fraud recoveries were deposited untimely into the Plan’s dedicated FEP investment account, we are questioning applicable LII of \$1,774 on these recoveries (as calculated by the OIG).

Special Plan Invoices – Provider Settlements

For contract year 2018 through June 30, 2023, there were seven FEP provider settlements, totaling \$1,668,735 in net payments to the FEHBP. From this universe, we selected and reviewed all of these provider settlements to determine if the Plan properly calculated, charged and/or credited these settlements to the FEHBP. We noted that the Plan charged and/or credited all of these provider settlements to the FEHBP via the SPI process.

In response to our Standard Information Request during our pre-audit phase, the Plan self-disclosed a provider settlement recovery, totaling \$12,348, that had not been returned to the FEHBP as of June 30, 2023. The Plan identified this exception while preparing a universe of provider settlements for our audit. According to the Plan, this exception was caused by a miscommunication between the Plan’s Corporate and FEP Accounting Teams. Based on the Plan’s process, the provider settlement schedules, along with the applicable claim payment details, are provided via email to the Plan’s FEP Accounting Team by the Plan’s Corporate Accounting Team. However, in this instance, the claim payment detail files were too large to send via email, and therefore, inadvertently overlooked by the Plan’s FEP Accounting Team. We reviewed and accepted the Plan’s self-disclosed provider settlement exception. As part of our review, we also verified that the Plan subsequently returned this questioned provider settlement of \$12,348 to the FEHBP in June 2024. As a result, we are questioning this provider settlement recovery of \$12,348 that was subsequently returned to the FEHBP because of our audit and applicable LII of \$1,043 on this recovery as calculated by the OIG).

Summary of Exceptions

The Plan calculated and deposited a refund advance of approximately \$1.3 million (as of February 29, 2012) into the LOCA to cover potential LII on cash receipt refunds that are returned untimely to the FEHBP. However, we noted that health benefit recovery amounts, such as fraud recoveries and provider settlements, that are potentially returned untimely to the FEHBP via the SPI process were not included in the Plan’s calculation to determine the refund cash advance (see the “Subrogation Recoveries” audit finding for the full refund cash advance details). Therefore, we calculated LII on all health benefit recovery amounts that were deposited untimely into the Plan’s dedicated FEP investment account and/or returned untimely to the LOCA via the SPI process.

As part of our review, we verified that the Plan subsequently returned \$29,443 of this audit finding to the FEHBP in November 2023 and June 2024, consisting of \$17,095 for the questioned fraud recovery and \$12,348 for the questioned provider settlement recovery, respectively. For the questioned LII of \$81,828 (\$78,753 plus \$258 plus \$1,774 plus \$1,043) calculated on the SPI amounts that were returned untimely to the FEHBP, although the Plan believes that the refund advance of \$1.3 million is adequate to cover potential LII on all health benefit refunds and recoveries (including SPI amounts) that are returned untimely to the FEHBP, the Plan has agreed to return this questioned LII of \$81,828 to the FEHBP by November 30, 2024.

Recommendation 10

We recommend that the contracting officer require the Plan to return \$29,443 to the FEHBP for the questioned SPI amounts. However, since we verified that the Plan subsequently returned \$29,443 to the FEHBP for the questioned SPI amounts, no further action is required for this amount.

Association/Plan Response:

The Association and/or Plan agree with this recommendation.

Recommendation 11

We recommend that the contracting officer require the Plan to return \$81,828 to the FEHBP for the questioned LII calculated on the SPI amounts that were returned untimely to the FEHBP.

Association/Plan Response:

The Association states, “The Plan continues to disagree with the LII finding and believes the cash advance provided to the Program [LOCA] encompasses all refund issues. However, as a sign of good faith and to expedite the closure of this audit and recommendation, the Plan will credit the funds to the Program by November 30, 2024.”

OIG Comments:

Although the Plan disagrees with this recommendation, we consider this recommendation resolved since the Plan has agreed to return the questioned LII to the FEHBP by November 30, 2024. After the contracting officer verifies that the Plan has returned the questioned LII of \$81,828 to the FEHBP, no further action will be required for this LII amount.

Recommendation 12

We recommend that the contracting officer require the Association to provide evidence or supporting documentation demonstrating that the Plan has implemented the necessary corrective actions to ensure that SPI credit amounts are timely processed and returned to the FEHBP (i.e., deposited into the FEP investment account within 30 days after receipt and returned to the LOCA via drawdown adjustments within 60 days after receipt). The contracting officer should also require the Association to provide a certification that the Plan has implemented these corrective actions.

Association/Plan Response:

The Association states, “The Plan will perform an analysis and adjust the amount deposited into the refund advance, by January 31, 2025, which will also be updated to cover any payments that do not meet the timeliness requirement.

In addition, the Plan will review [their] procedures to determine if timeliness can be improved within [their] business processes by January 31, 2025, and submit to BCBSA for review.”

5. Health Benefit Refunds – Cash Receipts and Provider Offsets \$21,115

Our audit determined that the Plan had not returned provider offset refunds, totaling \$20,586, to the FEHBP as of June 30, 2023. Specifically, the Plan reduced payments to providers via provider offsets to recover FEP health benefit refunds related to previous claim overpayments but had not returned these refunds to the FEHBP. The Plan subsequently returned these provider offset refunds to the FEHBP in September 2023, after receiving our audit notification letter and because of our audit. In total, the Plan returned \$21,115 to the FEHBP for this audit finding, consisting of \$20,586 for the questioned provider offset refunds and \$529 for applicable LII on these questioned refunds.

Also, the Plan untimely returned 23 cash receipt refunds, totaling \$1,988,670, to the FEHBP during the audit scope. Since the Plan returned these 23 cash receipt refunds to the FEHBP during the audit scope and prior to our audit notification date, we did not question this total principal amount as a monetary finding. Additionally, because the Plan deposited a refund advance into the LOCA to cover potential cash receipt refunds that are returned untimely to the FEHBP, these 23 refund exceptions are not subject to LII. Therefore, this is a procedural finding for the cash receipt refunds.

As previously cited from Contract CS 1039, all health benefit refunds and recoveries must be deposited into the dedicated FEP investment account within 30 days and returned to the LOCA within 60 days after receipt by the Carrier. Also, as previously cited from

FAR 52.232-17(a), all amounts that become payable by the Contractor should include simple interest from the date due.

Regarding reportable monetary findings, Contract CS 1039, Part III, Section 3.16 (a) states, “Audit findings . . . in the scope of an OIG audit are reportable as questioned charges unless the Carrier provides documentation supporting that the findings were already identified and corrected (i.e., . . . untimely health benefit refunds were already processed and returned to the FEHBP) prior to audit notification.”

Health Benefit Refunds – Provider Offsets

For contract year 2018 through June 30, 2023, there were 299,424 health benefit refunds, totaling \$211,805,045, that were potentially returned to the FEHBP via the Plan’s provider offset process (based on the Plan’s universe file of provider offset refunds). From this universe, we selected and reviewed a high dollar sample of 75 provider offset refunds, totaling \$24,236,464, to determine if the Plan timely returned these refunds to the FEHBP. Our sample included the 75 highest dollar provider offset refunds from the audit scope, which included offset refunds from \$176,989 to \$2,043,436. Provider offsets occur when the Plan reduces payments to participating providers for the purpose of recovering refunds related to previous claim overpayments.

Based on the Plan’s provider offset process, we noted that some of the provider offsets that were made to recover FEP refunds were offset against non-FEP claim payments. Therefore, this process also required the Plan to make corporate fund transfers into the dedicated FEP investment account and then LOCA drawdown adjustments to return the provider offset refunds to the FEHBP. In contrast, when the Plan processed provider offsets to recover FEP refunds against FEP claim payments, there was no need for the Plan to transfer corporate funds into the dedicated FEP investment account and make LOCA drawdown adjustments, since these offsets directly reduced the FEP check payment amounts to the providers and the Plan withdrew these funds from the LOCA on a checks-presented basis.

In response to our Standard Information Request during our pre-audit phase, the Plan self-disclosed a provider offset exception, totaling \$20,586, that occurred during our audit scope on March 15, 2023. The Plan identified this exception while preparing the universe of provider offset refunds for our audit. The exception was caused when a data table did not populate the company code(s) from the Plan’s Diamond Claims System on March 15, 2023. The company code(s) identify what product or line of business (such as FEP) the claims were offset against. The Plan resolved this issue on March 16, 2023; however, the Plan’s claims refund process was already completed with a blank data table for March 15, 2023. Because of this exception, several FEP refunds that were offset against non-FEP claim payments were not processed. Therefore, the Plan had not transferred the applicable corporate funds into the dedicated FEP investment account and

adjusted the LOCA drawdown(s) to return these refunds to the FEHBP. As a result, we are questioning \$20,586 for these provider offset refunds that were not previously returned to the FEHBP and \$529 for applicable LII on these refunds.

Health Benefit Refunds – Cash Receipts

The Plan provided a consolidated universe of FEP cash receipt health benefit refunds that included items such as solicited and unsolicited refunds (claim overpayment recoveries), hospital bill audit recoveries, provider audit recoveries, and fraud recoveries. For contract year 2018 through June 30, 2023, there were 99,007 FEP cash receipt refunds, totaling \$54,082,343, that were received by the Plan during the audit scope. From this universe, we selected and reviewed a high dollar sample of 150 cash receipt refunds, totaling \$13,934,083, to determine if the Plan timely returned these refunds to the FEHBP. Our sample consisted of the 25 highest dollar cash receipt refunds from each year of the audit scope, which included refunds from \$23,016 to \$807,049.

Based on our review, we determined that the Plan returned 23 of these cash receipt refunds (0.1533 or 15 percent of the sample), totaling \$1,988,670, untimely to the FEHBP during the audit scope. Specifically, we noted that the Plan deposited these 23 refunds into the dedicated FEP investment account from 1 to 65 days late and then returned 4 of these refunds (0.0267 or 3 percent of the sample) to the LOCA from 7 to 39 days late.⁶ Since the Plan returned these refunds to the FEHBP during the audit scope and prior to our audit notification date, we did not question this total principal amount as a monetary finding. Also, since we recognize that the Plan calculated and deposited a refund cash advance of approximately \$1.3 million into the LOCA to cover potential cash receipt refunds that are returned untimely to the FEHBP, we did not calculate LII on these 23 cash receipt refunds that were returned untimely to the FEHBP (see the “Subrogation Recoveries” audit finding for the refund cash advance details). This is a procedural finding for the Plan’s processing of cash receipt refunds.

Summary of Monetary Exceptions

In total, the Plan subsequently returned \$21,115 to the FEHBP for this audit finding, consisting of \$20,586 for the questioned provider offset refunds and \$529 for applicable LII on these questioned refunds (as calculated by the Plan) that were returned untimely to the FEHBP in September 2023. We reviewed and accepted the Plan’s LII calculation.

⁶ Based on the results of our “non-statistical” sample, we estimate that approximately 15,200 cash receipt refunds from the universe (99,007 x 0.1533) were potentially deposited untimely into the Plan’s dedicated FEP investment account and 2,600 cash receipt refunds (99,007 x 0.0267) were potentially returned untimely to the LOCA via drawdown adjustments.

Recommendation 13

We recommend that the contracting officer require the Plan to return \$20,586 to the FEHBP for the questioned provider offset refunds. However, since we verified that the Plan subsequently returned \$20,586 to the FEHBP for these questioned provider offset refunds, no further action is required for this amount.

Recommendation 14

We recommend that the contracting officer require the Plan to return \$529 to the FEHBP for the questioned LII calculated on the provider offset refunds that were returned untimely to the FEHBP. However, since we verified that the Plan subsequently returned \$529 to the FEHBP for the questioned LII, no further action is required for this LII amount.

Recommendation 15

We recommend that the contracting officer require the Association to provide evidence or supporting documentation demonstrating that the Plan has implemented the necessary corrective actions to ensure that cash receipt refunds are timely returned to the FEHBP (i.e., deposited into the FEP investment account within 30 days after receipt and returned to the LOCA via drawdown adjustments within 60 days after receipt). The contracting officer should also require the Association to provide a certification that the Plan has implemented these corrective actions.

Association/Plan Response:

The Association and/or Plan agree with the finding and recommendations. Regarding the procedural recommendation, the Association states, “The Plan will perform an analysis and adjust the amount deposited into the refund advance, by January 31, 2025, which will also be updated to cover any payments that do not meet the timeliness requirement.

In addition, the Plan will review [their] procedures to determine if timeliness can be improved within [their] business processes by January 31, 2025, and submit to BCBSA for review.”

OIG Comments:

The FEHBP contract and OPM’s “Letter of Credit System Guidelines” do not require or even recommend for a Carrier to deposit a refund cash advance into the dedicated investment account or LOCA. If the Plan implements the necessary corrective actions to ensure that all types of health benefit refunds and recoveries, including cash receipt refunds, are timely returned to the FEHBP, then there would be no reason for the Plan to

provide the FEHBP with a refund cash advance. However, if the Plan continues with the refund cash advance, then the Plan should consider implementing procedures to review and/or adjust the advance at least on a quarterly basis.

B. ADMINISTRATIVE EXPENSES

1. Out-of-System Adjustments **\$151,665**

For contract years 2018 through 2022, the Plan net overcharged the FEHBP \$138,843 for several out-of-system adjustments (OSAs). As a result of this audit finding, the Plan subsequently returned \$151,665 to the FEHBP, consisting of \$138,843 for these net overcharges and \$12,822 for applicable LII on the questioned overcharges.

Contract CS 1039, Part III, section 3.2 (b)(1) states, “The Carrier may charge a cost to the contract for a contract term if the cost is actual, allowable, allocable, and reasonable.”

48 CFR 31.201-4 states, “A cost is allocable if it is assignable or chargeable to one or more cost objectives on the basis of relative benefits received or other equitable relationship. Subject to the foregoing, a cost is allocable to a Government contract if it –

- (a) Is incurred specifically for the contract;
- (b) Benefits both the contract and other work, and can be distributed to them in reasonable proportion to the benefits received; or
- (c) Is necessary to the overall operation of the business, although a direct relationship to any particular cost objective cannot be shown.”

48 CFR 31.205-46(b) states, “Airfare costs in excess of the lowest priced airfare available to the contractor during normal business hours are unallowable”

As previously cited from FAR 52.232-17(a), all amounts that become payable by the Contractor should include simple interest from the date due.

Regarding reportable monetary findings, Contract CS 1039, Part III, Section 3.16 (a) states, “Audit findings . . . in the scope of an OIG audit are reportable as questioned charges unless the Carrier provides documentation supporting that the findings were already identified and corrected (i.e., administrative expense overcharges . . . were already processed and returned to the FEHBP) prior to audit notification.”

For contract years 2018 – 2022, the Plan net overcharged the FEHBP \$138,843 for several out-of-system adjustments.

While preparing for our audit during our pre-audit phase, the Plan self-disclosed net overcharges of \$138,843 to the FEHBP for several OSAs where the Plan inadvertently had not removed unallowable and/or unallocable administrative expenses during the manual cost adjustment

reporting process. OSAs are made to increase or decrease costs charged to the FEHBP that were not processed within the Plan's cost accounting system. Specifically, the Plan self-disclosed the following OSA exceptions for contract years 2018 through 2022:

- For contract years 2019 through 2021, the Plan charged costs of \$92,880 from a vendor that were unallocable to the FEHBP. The Plan subsequently determined that the information technology project costs for this vendor did not benefit the FEHBP. As part of our review, we verified that these unallocable vendor costs were not charged to the FEHBP for contract year 2022.
- For contract years 2018 through 2022, the Plan overcharged the FEHBP \$46,539 for other post-employment benefit costs. Specifically, the Plan inadvertently included employee benefit payments for employees outside of the Florida Blue plan (i.e., GuideWell subsidiary employees) when calculating the allowable and/or allocable other post-employment benefit charges to the FEHBP, resulting in overcharges of \$46,539 to the FEHBP.⁷
- For contract year 2019, the Plan charged unallowable costs of \$256 to the FEHBP for first-class airfare.
- For contract year 2022, the Plan undercharged the FEHBP \$832 for state income taxes.

We reviewed and accepted the Plan's self-disclosed OSA exceptions. As part of our review, we verified that the Plan subsequently returned \$151,665 to the FEHBP in December 2023 and March 2024 for this audit finding, consisting of a net amount of \$138,843 (\$92,880 plus \$46,539 plus \$256 minus \$832) for these OSA exceptions and \$12,822 for applicable LII on the questioned overcharges (as calculated by the Plan). We also reviewed and accepted the Plan's LII calculation.

⁷ GuideWell is the parent company of Florida Blue.

Recommendation 16

We recommend that the contracting officer disallow \$138,843 for the questioned OSA exceptions that were net overcharged to the FEHBP for contract years 2018 through 2022. However, since we verified that the Plan subsequently returned \$138,843 to the FEHBP for these questioned charges, no further action is required for this amount.

Recommendation 17

We recommend that the contracting officer require the Plan to return \$12,822 to the FEHBP for the questioned LII calculated on the OSA exceptions. However, since we verified that the Plan subsequently returned \$12,822 to the FEHBP for the questioned LII, no further action is required for this LII amount.

Association/Plan Response:

The Association and/or Plan agree with the finding and recommendations.

C. CASH MANAGEMENT

1. Excess Working Capital Deposit **\$125,946**

As of June 30, 2023, the Plan held a working capital (WC) deposit of \$125,946 over the amount needed to meet the Plan’s daily cash needs for FEHBP claim payments. As a result of our audit finding, the Plan subsequently returned these excess WC funds to the FEHBP on June 10, 2024. Since these questioned excess WC funds were in the Plan’s dedicated FEP investment account, LII is not applicable for this audit finding.

OPM’s “Letter of Credit System Guidelines” (Guidelines), dated April 2018, state: “Carriers should maintain a working capital balance equivalent to an average of [two] days of paid claims. The working capital fund [deposit] should be established using federal funds. Carriers are required to monitor their working capital fund on a monthly basis and adjust, if necessary, on a quarterly basis. The interest earned on the working capital funds must be credited to the FEHB Program at least on a monthly basis. The working capital is not required but strongly recommended.” The Guidelines include specific instructions for calculating the WC deposit. These Guidelines also state, “OPM will monitor drawdowns to ensure Carriers are maintaining minimal balances of Federal funds. If OPM determines Carrier-held funds exceed the minimal level, all future requests for funds must be preapproved by OPM.”

Regarding reportable monetary findings, Contract CS 1039, Part III, Section 3.16 (a) states, “Audit findings . . . in the scope of an OIG audit are reportable as questioned charges unless the Carrier provides documentation supporting that the findings were already identified and corrected . . . prior to audit notification.”

The Plan reviewed the WC deposit on a regular basis, usually quarterly, during contract year 2018 through June 30, 2023. We noted that the Plan made several adjustments to the WC deposit during the audit scope. When reviewing the Plan's WC calculations, we determined that the Plan used an incorrect calculation methodology by selecting the single-day with the highest total of checks-presented dollars for the quarter from each of the options (Basic, Standard, and Focus) and then calculating the checks-presented on a rolling five-day cycle. As of June 30, 2023, the Plan held a WC deposit amount of \$903,633 in the dedicated FEP investment account.

The Plan held an excess WC deposit of \$125,946 as of June 30, 2023.

To determine if the Plan maintained an appropriate WC deposit, we recalculated what the Plan's WC deposit should have been and determined that, as of June 30, 2023, the WC deposit should have been \$777,687 instead of \$903,633. For our calculation of the WC deposit, we followed the methodology in the Guidelines by selecting the single highest day of checks-presented dollars for the quarter and then calculating the checks-presented dollars in the week that included this date. As a result, we determined that the Plan held a WC deposit with \$125,946 (\$903,633 minus \$777,687) over the amount needed to meet the Plan's daily cash needs for the FEHBP claim payments. Therefore, we are questioning these excess WC funds as a monetary finding. As part of our review, we verified that the Plan subsequently returned these questioned excess funds to the FEHBP on June 10, 2024, via LOCA drawdown adjustment. Since the Plan maintained these excess WC funds in the dedicated FEP investment account, these questioned funds are not subject to LII.

Recommendation 18

We recommend that the contracting officer require the Plan to return \$125,946 to the FEHBP for the questioned excess working capital funds that were held in the Plan's dedicated FEP investment account as of June 30, 2023. However, since we verified that the Plan subsequently returned \$125,946 to the FEHBP for these questioned excess funds, no further action is required for this amount.

Recommendation 19

We recommend that the contracting officer require the Association to provide evidence or supporting documentation demonstrating that the Plan has implemented the necessary corrective actions to ensure that the working capital deposit is correctly calculated and timely adjusted (if necessary) on a quarterly basis. The contracting officer should also require the Association to provide a certification that the Plan has implemented these corrective actions.

Association/Plan Response:

The Association and/or Plan agree with the finding and recommendations. Regarding the procedural recommendation, the Association states, “The Plan has reviewed our procedures and adjusted the calculation performed quarterly. The Plan will continue to adjust the working capital deposit based on this revised calculation. BCBSA will review the Plan’s quarterly reports to validate the procedures are working as intended and will provide a certification once the final report is received.”

2. Return of Interest Income

\$16,590

Our audit determined that the Plan had not returned interest income of \$16,590 to the FEHBP as of June 30, 2023. This interest income was earned on funds held in the Plan’s dedicated FEP investment account during April 2023 and May 2023. The Plan subsequently returned this questioned interest income to the FEHBP late on August 8, 2023, after receiving our audit notification letter and/or as a result of our audit.

48 CFR 1652.215-71 states, “(a) The Carrier shall invest and reinvest all FEHB funds on hand that are in excess of the funds needed to promptly discharge the obligations incurred under this contract. . . . (b) All investment income earned on FEHB funds shall be credited to the Special Reserve on behalf of the FEHBP.”

OPM’s “Letter of Credit System Guidelines” (dated April 2018) state, “Excess funds must be held in a separate interest-bearing account. The interest earned on these funds must be credited to the FEHBP, by reducing the amount of a draw, at least on a monthly basis and used by the Carrier to pay only FEHBP expenses.”

FEP Memorandum Number 18-667FS – Change in Guidelines for Returning Interest Income to FEP, dated October 1, 2018, also provides guidance to the BCBS plans with respect to returning interest income earned on FEHBP funds to the LOCA, requiring all BCBS plans to return interest income earned to the FEHBP on a monthly basis.

Regarding reportable monetary findings, Contract CS 1039, Part III, Section 3.16 (a) states, “Audit findings . . . in the scope of an OIG audit are reportable as questioned charges unless the Carrier provides documentation supporting that the findings were already identified and corrected . . . prior to audit notification.”

The Plan had not returned interest income of \$16,590 to the FEHBP as of June 30, 2023.

For contract year 2018 through June 30, 2023, the Plan earned monthly interest income, totaling \$93,155, on the FEHBP funds that were held in the dedicated FEP investment account. On average, we noted that the Plan returned monthly earned interest income to the FEHBP approximately 1 ½ months late. We also noted that

after receiving our audit notification dated July 3, 2023, the Plan subsequently returned monthly earned interest income of \$7,545 for April 2023 and \$9,045 for May 2023 to the FEHBP on August 8, 2023, approximately 2 ¼ and 1 ¼ months late, respectively. Therefore, we are questioning this interest income of \$16,590 (\$7,545 plus \$9,045) as a monetary finding. Since the Plan held this questioned interest income of \$16,590 in the dedicated FEP investment account, LII is not applicable for this audit finding.

Recommendation 20

We recommend that the contracting officer require the Plan to return \$16,590 to the FEHBP for the questioned interest income. However, since we verified that the Plan subsequently returned the questioned interest income of \$16,590 to the FEHBP, no further action is required for this amount.

Recommendation 21

We recommend that the contracting officer require the Association to provide evidence or supporting documentation demonstrating that the Plan has implemented the necessary corrective actions to ensure that earned interest income on FEHBP funds is timely returned to the FEHBP (i.e., returned monthly to the LOCA via drawdown adjustment). The contracting officer should also require the Association to provide a certification that the Plan has implemented these corrective actions.

Association/Plan Response:

The Association and/or Plan agree with the finding and recommendations. For the procedural recommendation, the Association states, “The Plan assessed their processes to ensure that interest income earned on FEHBP funds is returned promptly and made modifications as necessary. BCBSA will examine the Plan’s quarterly reports to verify that the procedures are functioning as intended and will provide a certification once the final report is received.”

3. Excess Funds in the Investment Account **\$8,128**

Our audit determined that the Plan held excess FEHBP funds of \$8,128 in the dedicated FEP investment account as of June 30, 2023. The Plan subsequently returned these questioned excess funds to the FEHBP on November 6, 2023, after receiving our audit notification letter and because of our audit. Since these questioned excess funds were maintained in the Plan’s dedicated FEP investment account, LII is not applicable for this audit finding.

As previously cited from 48 CFR 31.201-5, “The applicable portion of any income, rebate, allowance, or other credit relating to an allowable cost and received by or

accruing to the contractor shall be credited to the Government as a cost reduction or by cash refund.”

FEP Memorandum Number 13-96PI, titled Audit Alert – FEP Investment Account Balance, dated November 15, 2013, states that the balance in the plan’s dedicated FEP investment account that exceeds the working capital deposit and is not considered an identifiable reconciling item should be reviewed and returned to the FEHBP as necessary.

Regarding reportable monetary findings, Contract CS 1039, Part III, Section 3.16 (a), states, “Audit findings . . . in the scope of an OIG audit are reportable as questioned charges unless the Carrier provides documentation supporting that the findings were already identified and corrected . . . prior to audit notification.”

The Plan’s dedicated FEP investment account includes FEP working capital funds, approved LOCA reimbursements, health benefit refunds and recoveries from providers and subscribers, interest income earned, and other cash identified as due to the FEP. Based on Contract CS 1039, all funds deposited into the FEP investment account, such as health benefit refunds and recoveries and excess working capital, should be returned to the FEHBP by adjusting the LOCA within 60 days after receipt by the Plan. In addition, approved reimbursements from the LOCA that are deposited into the Plan’s dedicated FEP investment account should be timely transferred from the FEP investment account to the Plan’s corporate account.

In our Standard Information Request dated July 3, 2023, we requested the Plan to provide a reconciliation and detailed itemization of the funds in the Plan’s dedicated FEP investment account as of June 30, 2023. When reviewing the Plan’s FEP investment account reconciliation and supporting documentation, we noted an exception of excess funds. Specifically, we determined that the Plan held excess FEHBP funds of \$8,128 in the dedicated FEP investment account as of June 30, 2023. The Plan should have held a balance of \$1,891,705 in the FEP investment account; however, the Plan’s actual account balance totaled \$1,899,833. When responding to our request during our pre-audit phase, the Plan also self-disclosed this exception. According to the Plan, these excess funds were caused by a “Bank Presentment Report” discrepancy on November 14, 2022. As a result, we are questioning \$8,128 in excess FEHBP funds that were held in the Plan’s dedicated FEP investment account as of June 30, 2023. As part of our review, we verified that the Plan subsequently returned these questioned excess funds to the FEHBP on November 6, 2023, via LOCA drawdown adjustment. Because these excess funds were held in the Plan’s dedicated FEP investment account, LII is not applicable on these questioned excess funds.

Recommendation 22

We recommend that the contracting officer require the Plan to return \$8,128 to the FEHBP for the questioned excess FEHBP funds that were held in the Plan's dedicated FEP investment account as of June 30, 2023. However, since we verified that the Plan subsequently returned \$8,128 to the FEHBP for these questioned excess funds, no further action is required for this amount.

Association/Plan Response:

The Association and/or Plan agree with the finding and recommendation.

D. FRAUD AND ABUSE PROGRAM

The Plan timely entered fraud and abuse cases into the Association's FSTS.

The audit disclosed no findings pertaining to the Plan's Fraud and Abuse Program activities and practices. For contract year 2021 through June 30, 2023, the Plan opened 101 fraud and abuse cases with potential FEP exposure. Based on our nomenclature review of this universe, we selected and reviewed a judgmental sample of 42 cases and determined if the Plan timely entered these fraud and abuse cases into the Association's FEP Special Investigations Unit Tracking System (FSTS) and if the Association timely reported these cases to the OPM OIG.⁸ For the sample, we selected all fraud and abuse cases with estimated losses of \$100,000 or more. Based on our review, we identified no exceptions with the Plan timely entering cases into the Association's FSTS and the Association timely reporting cases to the OPM OIG. Overall, we determined that the Plan complied with the communication and reporting requirements for fraud and abuse cases that are set forth in Contract CS 1039 and FEHBP Carrier Letter 2017-13.

⁸ FSTS is a multi-user, web-based FEP case-tracking database application and storage warehouse administered by the Association's FEP Special Investigations Unit (SIU). FSTS is used by the local BCBS plans' SIUs, the FEP Pharmacy Benefit Managers' SIUs, and the Association's FEP SIU to store, track, and report potential fraud and abuse activities.

IV. SCHEDULE A – QUESTIONED CHARGES

**FLORIDA BLUE
JACKSONVILLE, FLORIDA
QUESTIONED CHARGES**

AUDIT FINDINGS	2018	2019	2020	2021	2022	2023	TOTAL
A. MISCELLANEOUS HEALTH BENEFIT PAYMENTS AND CREDITS							
1. Claim Overpayment Recovery Efforts	\$0	\$0	\$0	\$0	\$0	\$6,792,912	\$6,792,912
2. Subrogation Recoveries*	56,183	42,901	13,646	8,122	17,966	829,826	968,644
3. Medical Drug Rebates*	4,518	5,080	3,053	1,171	1,881	254,932	270,635
4. Special Plan Invoices*	75,256	5,033	4	234	12,543	18,201	111,271
5. Health Benefit Refunds - Cash Receipts and Provider Offsets*	0	0	0	0	0	21,115	21,115
TOTAL MISCELLANEOUS HEALTH BENEFIT PAYMENTS AND CREDITS	\$135,957	\$53,014	\$16,703	\$9,527	\$32,390	\$7,916,986	\$8,164,577
B. ADMINISTRATIVE EXPENSES							
1. Out-of-System Adjustments*	\$18,594	\$53,899	\$21,035	\$40,394	\$11,294	\$6,449	\$151,665
TOTAL ADMINISTRATIVE EXPENSES	\$18,594	\$53,899	\$21,035	\$40,394	\$11,294	\$6,449	\$151,665
C. CASH MANAGEMENT							
1. Excess Working Capital Deposit	\$0	\$0	\$0	\$0	\$0	\$125,946	\$125,946
2. Return of Interest Income	0	0	0	0	0	16,590	16,590
3. Excess Funds in the Investment Account	0	0	0	0	0	8,128	8,128
TOTAL CASH MANAGEMENT	\$0	\$0	\$0	\$0	\$0	\$150,664	\$150,664
D. FRAUD AND ABUSE PROGRAM							
TOTAL FRAUD AND ABUSE PROGRAM	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL QUESTIONED CHARGES	\$154,551	\$106,913	\$37,738	\$49,921	\$43,684	\$8,074,099	\$8,466,906

* We included lost investment income (LII) within audit findings A2 (\$163,923), A3 (\$21,003), A4 (\$81,828), A5 (\$529), and B1 (\$12,822). Therefore, no additional LII is applicable.

APPENDIX



1310 G Street, N.W.
Washington, D.C. 20005
202.626.4800
www.BCBS.com

September 30, 2024

Mr. John A. Hirschmann, Group Chief
Experience-Rated Audits Group
Office of the Inspector General
U.S. Office of Personnel Management
1900 E Street, Room 6400
Washington, DC 20415-1100

**Reference: OPM Draft AUDIT REPORT
Blue Cross Blue Shield of Florida
Audit Report Number 2024-ERAG-002**

Dear Mr. Hirschmann:

This is the Blue Cross and Blue Shield of Florida, response to the above referenced U.S. Office of Personnel Management (OPM) Draft Audit Report covering the Federal Employees Programs Claims Processing and Payment Operations. Our comments concerning the findings in the report are as follows:

A. MISCELLANEOUS HEALTH BENEFIT PAYMENTS AND CREDITS

1. Claim Overpayments – Recovery Efforts **\$9,088,208**

Recommendation 1

We recommend that the contracting officer require the Plan to recover and return \$5,604,993 to the FEHBP for the 81 questioned uncollected claim overpayments. If these overpayments are determined to be uncollectible, then the contracting officer should require the Plan to provide adequate documentation demonstrating that all prompt and diligent efforts were made, including use of provider offsets, future FEP member benefit payment offsets, and/or third-party collections, to recover these funds before writing them off, as required by the FEHBP contract.

Plan Response: The Plan continues to disagree with this recommendation. Documentation to support due diligence recovery efforts will be submitted to OPM Audit Resolution and Compliance after the final report is released.

Recommendation 2

We recommend that the contracting officer require the Plan to return \$3,483,215 to the FEHBP for the 70 questioned claim overpayments that were inappropriately written off, as prompt and diligent efforts to recover these overpayments, including use of provider offsets, future FEP member benefit payment offsets, and/or third-party collections, were not made. If these overpayments are determined to be uncollectible, then the contracting officer should require the Plan to provide adequate documentation demonstrating that all prompt and diligent efforts were made to recover these funds before writing them off, as required by the FEHBP contract.

Plan Response: The Plan continues to disagree with this recommendation. Documentation to support due diligence recovery efforts will be submitted to OPM Audit Resolution and Compliance after the final report is released.

Recommendation 3

We recommend that the contracting officer require the Association to provide evidence or supporting documentation demonstrating that the Plan has implemented the necessary corrective actions to ensure that claim overpayments are adequately pursued, monitored, recovered, and returned to the FEHBP, as required by Section 2.3(g) of Contract CS 1039. If the options are available and cost effective, the Plan should also be required to use provider offsets and/or third-party collections to recover uncollected FEP claim overpayments. The contracting officer should also require the Association to provide a certification that the Plan has implemented these corrective actions.

BCBSA Response: The Plan and the Association disagree with this recommendation. The Plan is contractually prohibited from netting this provider. Additionally, according to the CS 1039 Contract, the Plan must “provide the debtor with an opportunity to dispute the existence and amount of the debt before proceeding with collection activities” (CS1039 § 2.3(g)(v)(1)). The Association and the Plan will collaborate to supply evidence once the final report is released.

2. Subrogation Recoveries

\$968,644

Recommendation 4

We recommend that the contracting officer require the Plan to return \$804,721 to the FEHBP for the questioned subrogation recoveries. However, since we verified that the Plan subsequently returned \$804,721 to the FEHBP for the questioned subrogation recoveries, no further action is required for this amount.

Plan Response: The Plan agreed with this recommendation and as stated, no additional action is necessary.

Recommendation 5

We recommend that the contracting officer require the Plan to return \$163,923 to the FEHBP for the questioned LII on subrogation recovery amounts that were returned untimely to the FEHBP.

Plan Response: The Plan continues to disagree with the LII finding and believe the cash advance provided to the Program encompasses all refund issues. However, as a sign of good faith and to expedite the closure of this audit and recommendation, the Plan will credit the funds to the Program by November 30, 2024.

Recommendation 6

We recommend that the contracting officer require the Association to provide evidence or supporting documentation demonstrating that the Plan has implemented the necessary corrective actions to ensure that subrogation recoveries are timely returned to the FEHBP (i.e., deposited into the FEP investment account within 30 days after receipt and returned to the LOCA via drawdown adjustments within 60 days after receipt). The contracting officer should also require the Association to provide a certification that the Plan has implemented these corrective actions.

Plan Response: The Plan will perform an analysis and adjust the amount deposited into the refund advance, by January 31, 2025, which will also be updated to cover any payments that do not meet the timeliness requirement. In addition, the Plan will review our procedures to determine if timeliness can be improved within our business processes by January 31, 2025, and submit to BCBSA for review.

3. Medical Drug Rebates

\$270,635

Recommendation 7

We recommend that the contracting officer require the Plan to return \$249,632 to the FEHBP for the questioned medical drug rebates. However, since we verified that the Plan subsequently returned \$249,632 to the FEHBP for the questioned medical drug rebates, no further action is required for this amount.

Plan Response:

The Plan agreed with this recommendation and as stated, no additional action is necessary.

Recommendation 8

We recommend that the contracting officer require the Plan to return \$21,003 to the FEHBP for the questioned LII calculated on medical drug rebates that were returned untimely to the FEHBP.

Plan Response:

The Plan continues to disagree with the LII finding and believe the cash advance provided to the Program encompasses all refund issues. However, as a sign of good faith and to expedite the closure of this audit and recommendation, the Plan will return the questioned LII payment by November 30, 2024.

Recommendation 9

We recommend that the contracting officer require the Association to provide evidence or supporting documentation demonstrating that the Plan has implemented the necessary corrective actions to ensure that medical drug rebates are timely returned to the FEHBP (i.e., deposited into the FEP investment account within 30 days after receipt and returned to the LOCA via drawdown adjustments within 60 days after receipt). The contracting officer should also require the Association to provide a certification that the Plan has implemented these corrective actions.

Plan Response:

The Plan will perform an analysis and adjust the amount deposited into the refund advance, by January 31, 2025, which will also be updated to cover any payments that do not meet the timeliness requirement. In addition, the Plan will review and update our procedures to determine if timeliness can be improved within our business processes, by January 31, 2025, and submit to BCBSA for review.

4. Special Plan Invoices

\$111,271

Recommendation 10

We recommend that the contracting officer require the Plan to return \$29,443 to the FEHBP for the questioned SPI amounts. However, since we verified that the Plan subsequently returned \$29,443 to the FEHBP for the questioned SPI amounts, no further action is required for this amount.

Plan Response:

The Plan agreed with this recommendation and as stated, no additional action is necessary.

Recommendation 11

We recommend that the contracting officer require the Plan to return \$81,828 to the FEHBP for the questioned LII calculated on the SPI amounts that were returned untimely to the FEHBP.

Plan Response:

The Plan continues to disagree with the LII finding and believe the cash advance provided to the Program encompasses all refund issues. However, as a sign of good faith and to expedite the closure of this audit and recommendation, the Plan will return the questioned LII by November 30, 2024.

Recommendation 12

We recommend that the contracting officer require the Association to provide evidence or supporting documentation demonstrating that the Plan has implemented the necessary corrective actions to ensure that all SPI amounts are timely processed and returned to the FEHBP (i.e., deposited into the FEP investment account within 30 days

after receipt and returned to the LOCA via drawdown adjustments within 60 days after receipt). The contracting officer should also require the Association to provide a certification that the Plan has implemented these corrective actions.

Plan Response:

The Plan will perform an analysis and adjust the amount deposited into the refund advance, by January 31, 2025, which will also be updated to cover any payments that do not meet the timeliness requirement. In addition, the Plan will update and review our procedures to determine if timeliness can be improved within our business processes, by January 31, 2025.

5. Health Benefit Refunds – Cash Receipts and Provider Offsets \$21,115

Recommendation 13

We recommend that the contracting officer require the Plan to return \$20,586 to the FEHBP for the questioned provider offset refunds. However, since we verified that the Plan subsequently returned \$20,586 to the FEHBP for these questioned providers offset refunds, no further action is required for this amount.

Plan Response:

The Plan agreed with this recommendation and as stated, no additional action is necessary.

Recommendation 14

We recommend that the contracting officer require the Plan to return \$529 to the FEHBP for the questioned LII calculated on the provider offset refunds that were returned untimely to the FEHBP. However, since we verified that the Plan subsequently returned \$529 to the FEHBP for the questioned LII, no further action is required for this LII amount.

Plan Response:

The Plan agreed with this recommendation and as stated, no additional action is necessary.

Recommendation 15

We recommend that the contracting officer require the Association to provide evidence or supporting documentation demonstrating that the Plan has implemented the necessary corrective actions to ensure that cash receipt refunds are timely returned to the FEHBP (i.e., deposited into the FEP investment account within 30 days after receipt and returned to the LOCA via drawdown adjustments within 60 days after receipt). The contracting officer should also require the Association to provide a certification that the Plan has implemented these corrective actions. (Note: The FEHBP contract and OPM's "Letter of Credit System Guidelines" do not require or even suggest for a Carrier to deposit a refund cash advance into the dedicated investment account or LOCA. If the Plan implements the necessary corrective actions to ensure that all types of health

benefit refunds and recoveries, including cash receipt refunds, are timely returned to the FEHBP, then there would be no reason for the Plan to have a refund cash advance.)

Plan Response:

The Plan will perform an analysis and adjust the amount deposited into the refund advance, by January 31, 2025, which will also be updated to cover any payments that do not meet the timeliness requirement. In addition, the Plan will update and review our procedures to determine if timeliness can be improved within our business processes, by January 31, 2025.

B. Administrative Expenses

1. Out-of-System Adjustments \$151,665

Recommendation 16

We recommend that the contracting officer disallow \$138,843 for the questioned OSA exceptions that were charged to the FEHBP for contract years 2018 through 2022. However, since we verified that the Plan subsequently returned \$138,843 to the FEHBP for these questioned charges, no further action is required for this amount.

Plan Response:

The Plan agreed with this recommendation and as stated, no additional action is necessary.

Recommendation 17

We recommend that the contracting officer require the Plan to return \$12,822 to the FEHBP for the questioned LII calculated on these OSA exceptions. However, since we verified that the Plan subsequently returned \$12,822 to the FEHBP for the questioned LII, no further action is required for this LII amount.

Plan Response:

The Plan agreed with this recommendation and as stated, no additional action is necessary.

C. CASH MANAGEMENT

1. Excess Working Capital Deposit \$125,946

Recommendation 18

We recommend that the contracting officer require the Plan to return \$125,946 to the FEHBP for the questioned excess working capital funds that were held in the Plan's dedicated FEP investment account as of June 30, 2023. However, since we verified that the Plan subsequently returned \$125,946 to the FEHBP for these questioned excess funds, no further action is required for this amount.

Plan Response:

The Plan agreed with this recommendation and as stated, no additional action is necessary.

Recommendation 19

We recommend that the contracting officer require the Association to provide evidence or supporting documentation demonstrating that the Plan has implemented the necessary corrective actions to ensure that the working capital deposit is correctly calculated and timely adjusted (if necessary) on a quarterly basis. The contracting officer should also require the Association to provide a certification that the Plan has implemented these corrective actions.

Plan Response:

The Plan has reviewed our procedures and adjusted the calculation performed quarterly. The Plan will continue to adjust the working capital deposit based on this revised calculation. BCBSA will review the Plan's quarterly reports to validate the procedures are working as intended and will provide a certification once the final report is received.

2. Return of Interest Income **\$16,590**

Recommendation 20

We recommend that the contracting officer require the Plan to return \$16,590 to the FEHBP for the questioned interest income. However, since we verified that the Plan subsequently returned the questioned interest income of \$16,590 to the FEHBP, no further action is required for this amount.

Plan Response:

The Plan agreed with this recommendation and as stated, no additional action is necessary.

Recommendation 21

We recommend that the contracting officer require the Association to provide evidence or supporting documentation demonstrating that the Plan has implemented the necessary corrective actions to ensure that earned interest income on FEHBP funds is timely returned to the FEHBP (i.e., returned monthly to the LOCA via drawdown adjustment). The contracting officer should also require the Association to provide a certification that the Plan has implemented these corrective actions.

Plan Response:

The Plan assessed their processes to ensure that interest income earned on FEHBP funds is returned promptly and made modifications as necessary. BCBSA will examine the Plan's quarterly reports to verify that the procedures are functioning as intended and will provide a certification once the final report is received.

3. Excess Funds in the Investment Account

\$8,128

Recommendation 22

We recommend that the contracting officer require the Plan to return \$8,128 to the FEHBP for the questioned excess FEHBP funds that were held in the Plan's dedicated FEP investment account as of June 30, 2023. However, since we verified that the Plan subsequently returned \$8,128 to the FEHBP for these questioned excess funds, no further action is required for this amount.

Plan Response:

The Plan agreed with this recommendation and as stated, no additional action is necessary.

We appreciate the opportunity to provide our response to this Draft Audit Report and request that our comments be included in their entirety as an amendment to the Final Audit Report.

Sincerely,

Kim King
Managing Director, FEP Program Assurance

cc: Connie Woodard, Director, Program Assurance
Mitch Davis, Manager, Program Assurance
Kathryne Olver, FEP Senior Financial Auditor, Program Assurance



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