



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

Final Audit Report

**Audit of
BlueCross BlueShield of Louisiana
Baton Rouge, Louisiana**

Report Number 1A-10-07-20-028

February 12, 2021

EXECUTIVE SUMMARY

Audit of BlueCross BlueShield of Louisiana

Report No. 1A-10-07-20-028

February 12, 2021

Why did we conduct the audit?

We conducted this limited scope audit to obtain reasonable assurance that BlueCross BlueShield of Louisiana (Plan) 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 the contract.

What did we audit?

Our audit covered administrative expense charges for contract years 2014 through 2018, as reported in the Annual Accounting Statements. We also reviewed the Plan's cash management activities and practices related to FEHBP funds for contract years 2017 through 2019.

What did we find?

We questioned \$135,194 in administrative expense overcharges and lost investment income (LII). The BlueCross BlueShield Association (Association) and Plan agreed with all of the questioned amounts. As part of our review, we verified that the Plan subsequently returned these questioned amounts to the FEHBP.

Our audit results are summarized as follows:

- Administrative Expenses – We questioned \$135,194 in administrative expense charges and LII, consisting of \$115,777 for unallowable and/or unallocable costs, \$7,305 for corrective actions not taken to resolve administrative expense audit findings that were previously identified by the Plan's Independent Public Accountant and the Association's Federal Employee Program Director's Office (i.e., \$6,546 for vendor invoice overcharges and \$759 for unreturned LII, respectively), and \$12,112 for applicable LII on these questioned charges.
- Cash Management – The audit disclosed no findings pertaining to the Plan's cash management activities and practices related to FEHBP funds. Overall, we determined that the Plan handled FEHBP funds in accordance with Contract CS 1039 and applicable laws and regulations.



Michael R. Esser
*Assistant Inspector General
for Audits*

ABBREVIATIONS

Association	BlueCross BlueShield Association
BCBS	BlueCross and/or BlueShield
BCBSA	BlueCross BlueShield Association
CFR	Code of Federal Regulations
CPR	Control and Performance Review
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
IPA	Independent Public Accountant
LII	Lost Investment Income
OIG	Office of the Inspector General
OPM	U.S. Office of Personnel Management
Plan	BlueCross BlueShield of Louisiana

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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 BlueCross BlueShield of Louisiana (Plan). The Plan is located in Baton Rouge, Louisiana.

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 BlueCross BlueShield Association (Association or BCBSA), on behalf of participating local BlueCross and/or BlueShield (BCBS) plans, has entered into a Government-wide 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 its Federal subscribers. The Plan is one of 36 BCBS companies participating in the FEHBP. These 36 companies include 64 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

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.

claims (using computerized system edits), maintaining a history file of FEHBP claims, and maintaining claims payment data.

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, management of the Plan is responsible for establishing and maintaining a system of internal controls.

We included this Plan in each of the following recent focused audits that covered a sample of BCBS plans:

- Final Report No. 1A-99-00-18-045 (dated August 7, 2019) for pension, post-retirement benefit, and Affordable Care Act costs for contract years 2014 through 2017;
- Final Report No. 1A-99-00-17-001 (dated March 14, 2018) for cash management activities and practices for contract year 2015 through June 30, 2016; and,
- Final Report No. 1A-99-00-16-010 (dated January 31, 2017) for aging FEP health benefit refunds as of June 30, 2015, and fraud recoveries and medical drug rebates for contract year 2012 through June 30, 2015.

All findings related to the Plan in these recent focused audits 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 September 21, 2020; and were presented in detail in a draft report, dated October 16, 2020. The Association's comments offered in response to this draft report were considered in preparing our final report and are included as an Appendix to this 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:

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 regulations.

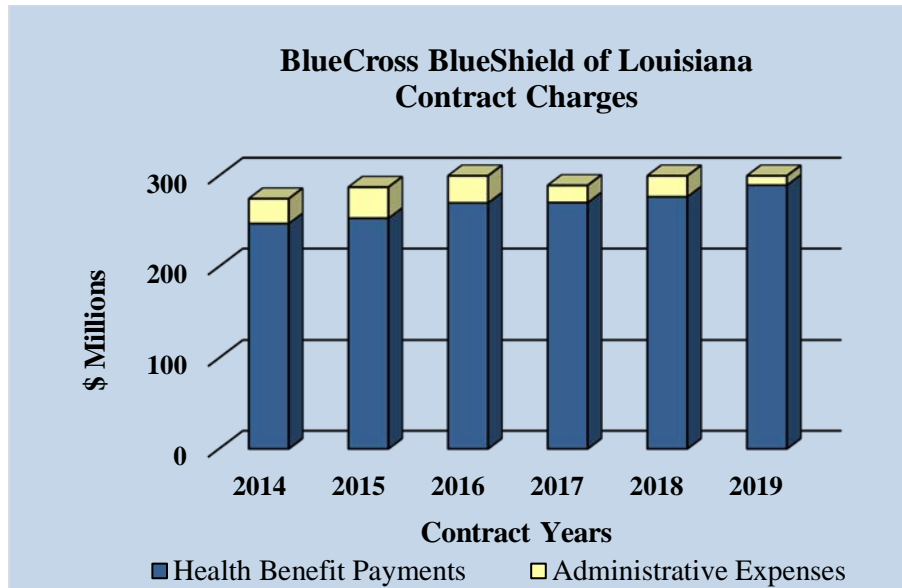
Cash Management

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

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 BlueCross and BlueShield FEHBP Annual Accounting Statements pertaining to Plan codes 170 and 670 for contract years 2014 through 2019. During this period, the Plan paid approximately \$1.6 billion in FEHBP health benefit payments and charged the FEHBP \$162 million in administrative expenses (see chart below). Specifically, we reviewed administrative expense charges for contract years 2014 through 2018 and the Plan's cash management activities and practices for contract years 2017 through 2019.



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 performed at our offices in Cranberry Township, Pennsylvania; Jacksonville, Florida; and Washington, D.C. from June 1, 2020, through September 21, 2020. Throughout the audit process, the Plan did a great job providing complete and timely responses to our numerous requests for explanations and supporting documentation. We really 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 judgmentally reviewed administrative expenses charged to the FEHBP for contract years 2014 through 2018. Specifically, we reviewed administrative expenses relating to cost centers; natural accounts; pensions; post-retirement benefits; employee health benefits; out-of-system adjustments; executive compensation limits; prior period adjustments; and Patient Protection and Affordable Care Act fees.² We used the FEHBP contract, the FAR, the FEHBP, 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 drawdowns, working capital calculations, adjustments and/or balances, United States Treasury offsets, and interest income transactions for contract years 2017 through 2019, as well as the Plan's dedicated FEP investment account activity during the scope and balance as of December 31, 2019.

² 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 2014 through 2018, the Plan allocated administrative expenses of \$167,151,435 (before adjustments) to the FEHBP from 260 cost centers that contained 107 natural accounts. From this universe, we selected a judgmental sample of 69 cost centers to review, which totaled \$125,131,681 in expenses allocated to the FEHBP. We also selected a judgmental sample of 23 natural accounts to review, which totaled \$38,836,473 in expenses allocated to the FEHBP through the cost centers. 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 and natural accounts based on high dollar amounts, our nomenclature review, and our trend analysis. We reviewed the expenses from these cost centers and natural accounts 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.

III. AUDIT FINDINGS AND RECOMMENDATIONS

A. ADMINISTRATIVE EXPENSES

1. Unallowable and/or Unallocable Costs \$127,277

The Plan charged unallowable and/or unallocable costs of \$127,277 to the FEHBP for contract years 2014 through 2018. As a result of this finding, the Plan subsequently returned \$127,277 to the FEHBP, consisting of \$115,777 for these unallowable and/or unallocable costs and \$11,500 for applicable lost investment income (LII) on these questioned charges.

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.”

FAR 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.”

The Plan charged the FEHBP \$115,777 for unallowable and/or unallocable costs.

For contract years 2014 through 2018, the Plan allocated administrative expenses of \$167,151,435 (before adjustments) to the FEHBP from 260 cost centers which contained 107 natural accounts. From this universe, we selected a judgmental sample of 69 cost centers to review, which totaled \$125,131,681 in expenses allocated to the FEHBP. We also selected a judgmental sample of 23 natural accounts to review, which totaled \$38,836,473 in expenses allocated to the FEHBP through the cost centers. We selected these cost centers and natural accounts based on high dollar amounts, our nomenclature review, and our

trend analysis. We reviewed the expenses from these cost centers and natural accounts for allowability, allocability, and reasonableness.

Based on our review, we determined that the Plan inadvertently charged the following unallowable and/or unallocable costs to the FEHBP for contract years 2014 through 2018:

- The Plan overcharged miscellaneous relocation costs to the FEHBP from natural account “61406” (Relocation Expenses) for contract years 2015 and 2016. Specifically, the Plan incorrectly allocated and charged \$61,934 to the FEHBP in excess of the maximum lump-sum payment amount allowed for each employee. 48 CFR 31.205-35 (b)(5) states, “For miscellaneous (relocation) costs . . . a lump-sum amount, not to exceed \$5,000, may be allowed in lieu of actual costs.”
- The Plan charged unallowable public relations and entertainment costs to the FEHBP from natural account “61404” (Employee Welfare) for contract years 2014 through 2018. Specifically, the Plan allocated and charged \$38,005 to the FEHBP for corporate celebrations and employee meals that were expressly unallowable public relations and/or entertainment costs. 48 CFR 31.205-1 (public relations) and 48 CFR 31.205-14 (entertainment) provide specific criteria to the extent that such costs are expressly unallowable. Based on our review of the Plan’s supporting documentation, these questioned charges are not in compliance with the Federal regulations.
- The Plan charged unallocable costs to the FEHBP through cost center “0403” (Vice President Enrollment and Billing). In contract year 2018, the Plan updated the activities and functions of this cost center to a business unit that no longer benefited the FEP. As a result, the Plan allocated and charged \$15,608 to the FEHBP for costs that were not related (unallocable) to the FEP.
- The Plan charged unallocable costs to the FEHBP through a vendor invoice payment for a leadership conference in contract year 2018. Specifically, the Plan allocated and charged \$230 to the FEHBP for conference fees of non-Plan personnel (i.e., guests). The attendance by these guests at the conference served no benefit to the FEHBP.

In total, the Plan returned \$127,277 to the FEHBP for this audit finding, consisting of \$115,777 for unallowable and/or unallocable costs (\$61,934 plus \$38,005 plus \$15,608 plus \$230) that were charged to the FEHBP and \$11,500 for applicable LII on these questioned charges (as calculated by the Plan). We reviewed and accepted the Plan’s LII calculation.

Association/Plan Response:

The Plan agrees with the finding and recommendations.

OIG Comment:

As part of our review, we verified that the Plan returned \$127,277 to the FEHBP in September and October of 2020, consisting of \$115,777 for the questioned unallowable and/or unallocable costs and \$11,500 for applicable LII.

Recommendation 1

We recommend that the contracting officer disallow \$115,777 for the questioned unallowable and/or unallocable costs that were charged to the FEHBP for contract years 2014 through 2018. However, since we verified that the Plan subsequently returned \$115,777 to the FEHBP for these questioned charges, no further action is required for this amount.

Recommendation 2

We recommend that the contracting officer require the Plan to return \$11,500 to the FEHBP for the questioned LII calculated on the unallowable and/or unallocable costs. However, since we verified that the Plan subsequently returned \$11,500 to the FEHBP for the questioned LII, no further action is required for this LII amount.

2. Corrective Actions for Non-OIG Audit Findings **\$7,917**

The Plan did not take corrective actions to resolve multiple audit findings for administrative expense overcharges to the FEHBP that were identified during non-OIG audits of the Plan. As a result of this finding, the Plan returned \$7,917 to the FEHBP, consisting of \$6,546 for these administrative expense overcharges and \$1,371 for LII.

As previously cited from Contract CS 1039, costs charged to the FEHBP must be actual, allowable, allocable, and reasonable. 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., administrative expense overcharges . . . were already processed and returned to the FEHBP) prior to audit notification.”

The Plan returned \$7,917 to the FEHBP for administrative expense overcharges and LII related to non-OIG audits.

During our pre-audit phase, we reviewed findings from recent non-OIG audits of the Plan, performed by the Plan’s Independent Public Accountant (IPA) and the Association’s FEP Director’s Office, to determine if the Plan took corrective actions to resolve FEHBP monetary findings. Based on our review, we found the following exceptions where the Plan did not take the necessary corrective actions to resolve monetary audit findings:

- The Plan did not take corrective actions to resolve multiple audit findings, totaling \$6,546, that were identified during an IPA audit for fiscal year 2016. These questioned amounts were for administrative expense overcharges identified during the IPA’s vendor invoice allocation testing. As a result of our audit, the Plan subsequently returned \$7,158 to the FEHBP, consisting of \$6,546 for these administrative expense overcharges and \$612 for LII on these overcharges. We reviewed and accepted the Plan’s LII calculation.
- The Plan self-disclosed that corrective actions were not taken to return \$759 to the FEHBP for LII calculated on unallowable and/or unallocable costs that were identified during an FEP Director’s Office Control and Performance Review (CPR), covering contract year 2016 through April 30, 2018. As a result of our audit, the Plan subsequently returned \$759 to the FEHBP for the LII on the unallowable and/or unallocable costs that were questioned in the CPR. We reviewed and accepted the Plan’s LII calculation.

In total, the Plan returned \$7,917 to the FEHBP for this audit finding, consisting of \$6,546 for administrative expense overcharges and \$1,371 (\$612 plus \$759) for LII.

Association/Plan Response:

The Plan agrees with the finding and applicable recommendations.

OIG Comment:

As part of our review, we verified that the Plan returned \$7,917 to the FEHBP in April and June of 2020 for this finding, consisting of \$6,546 for the questioned administrative expense overcharges and \$1,371 for LII.

Recommendation 3

We recommend that the contracting officer disallow \$6,546 for the questioned administrative expense overcharges. However, since we verified that the Plan subsequently returned \$6,546 to the FEHBP for these questioned overcharges, no further action is required for this amount.

Recommendation 4

We recommend that the contracting officer require the Plan to return \$1,371 to the FEHBP for the questioned LII calculated on the administrative expense overcharges. However, since we verified that the Plan subsequently returned \$1,371 to the FEHBP for the questioned LII, no further action is required for this LII amount.

Recommendation 5

We recommend that the contracting officer require the Association to provide evidence or supporting documentation ensuring that the Plan has implemented corrective actions to timely resolve audit findings affecting the FEHBP that are identified during non-OIG audits. 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 implemented a Federal Employee Program (FEP) Audit Finding Procedure to timely resolve audit findings.” The Association also states, “Based on a review of the procedures, BCBSA believes the procedures are satisfactory. Because the Plan has no outstanding findings at this time, BCBSA is unable to test the Plan’s updated procedure. However, BCBSA will continue to monitor the Plan to ensure any future audit findings are resolved according to the updated procedures. BCBSA will work with the OPM Audit Resolution and Compliance staff to update them accordingly or as needed.”

Recommendation 6

We recommend that the contracting officer require the Association to provide evidence or supporting documentation ensuring that the FEP Director's Office has implemented corrective actions to timely resolve audit findings affecting the FEHBP that are identified during non-OIG audits of BCBS plans (i.e., IPA audits and CPR's). The contracting officer should also require the Association to provide a certification that the FEP Director's Office has implemented these corrective actions.

Association Response:

The Association states, "BCBSA created a tracking log to monitor and close out Corrective Action Plans from any non-OIG audits. BCBSA contacts the Plans if the target date of completion is near and/or has expired. BCBSA requires Plans to provide evidence of completion. The evidence is reviewed in order to consider the Corrective Action Plan closed. BCBSA will also work with the OPM Audit Resolution and Compliance staff to provide a certification that the process has been implemented."

B. CASH MANAGEMENT

The audit disclosed no findings pertaining to the Plan's cash management activities and practices related to FEHBP funds. Overall, we concluded that the Plan handled FEHBP funds in accordance with Contract CS 1039 and applicable laws and regulations.

IV. SCHEDULE A – QUESTIONED CHARGES

**BLUECROSS BLUESHIELD OF LOUISIANA
BATON ROUGE, LOUISIANA
QUESTIONED CHARGES**

AUDIT FINDINGS	2014	2015	2016	2017	2018	2019	2020	TOTAL
A. ADMINISTRATIVE EXPENSES								
1. Unallowable and/or Unallocable Costs*	\$6,083	\$42,106	\$44,914	\$8,008	\$21,090	\$3,613	\$1,463	\$127,277
2. Corrective Actions for Non-OIG Audit Findings*	0	2,152	4,472	331	476	486	0	7,917
TOTAL ADMINISTRATIVE EXPENSES	\$6,083	\$44,258	\$49,386	\$8,339	\$21,566	\$4,099	\$1,463	\$135,194
B. CASH MANAGEMENT								
TOTAL CASH MANAGEMENT	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL QUESTIONED CHARGES	\$6,083	\$44,258	\$49,386	\$8,339	\$21,566	\$4,099	\$1,463	\$135,194

* We included lost investment income (LII) within audit findings A1 (\$11,500) and A2 (\$1,371). Therefore, no additional LII is applicable.

APPENDIX

December 4, 2020

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 20415-11000

**Reference: OPM DRAFT AUDIT REPORT
BlueCross BlueShield of Louisiana
Audit Report No. 1A-10-07-20-028
(Dated October 16, 2020)**

Dear Mr. Hirschmann:

This is the Blue Cross Blue Shield of Louisiana response to the above referenced U.S. Office of Personnel Management (OPM), Office of Inspector General (OIG), Draft Audit Report covering the Federal Employees Health Benefits Program (FEHBP). Our comments concerning the findings in the report are as follows:

A. ADMINISTRATIVE EXPENSES

1. **Unallowable and/or Unallocable Costs** **\$127,277**

Recommendation 1

We recommend that the contracting officer disallow \$115,777 for the questioned unallowable and/or unallocable costs that were charged to the FEHBP from contract years 2014 through 2018. However, since we verified that the Plan subsequently returned \$115,777 to the FEHBP for these questioned charges, no further action is required for this amount.

Plan Response

The Plan agreed with this finding and as stated, no further action is required.

Recommendation 2

We recommend that the contracting officer require the Plan to return \$11,500 to the FEHBP for the questioned LII calculated on the unallowable and/or unallocable costs. However, since we verified that the Plan subsequently returned \$11,500 to the FEHBP for the questioned LII, no further action is required for this LII amount.

Plan Response

The Plan agreed with this finding and as stated, no further action is required.

2. Corrective Actions for Non-OIG Audit Findings **\$7,917**

Recommendation 3

We recommend that the contracting officer disallow \$6,546 for the questioned administrative expense overcharges. However, since we verified that the Plan subsequently returned \$6,546 to the FEHBP for these questioned charges, no further action is required for this amount.

Plan Response

The Plan agreed with this finding and as stated, no further action is required.

Recommendation 4

We recommend that the contracting officer require the Plan to return \$1,371 to the FEHBP for the questioned LII calculated on the administrative expense overcharges. However, since we verified that the Plan subsequently returned \$1,371 to the FEHBP for the questioned LII, no further action is required for this LII amount.

Plan Response

The Plan agreed with this finding and as stated, no further action is required.

Recommendation 5

We recommend that the contracting officer require the Association to provide evidence or supporting documentation ensuring that the Plan has implemented corrective actions to timely resolve audit findings, affecting the FEHBP, identified during non-OIG audits. The contracting officer should also require the Association to provide a certification that the Plan has implemented these corrective actions.

Plan Response

The Plan implemented a Federal Employee Program (FEP) Audit Finding Procedure to timely resolve audit findings. This procedure has been provided to BCBSA.

BCBSA Response

BCBSA obtained the FEP Audit Finding Procedure from the Plan. Based on a review of the procedures, BCBSA believes the procedures are satisfactory. Because the Plan has no outstanding findings at this time, BCBSA is unable to test the Plan's updated procedure. However, BCBSA will continue to monitor the Plan to ensure any future audit findings are resolved according to the updated procedures. BCBSA will work with the OPM Audit Resolution and Compliance staff to update them accordingly or as needed.

Recommendation 6

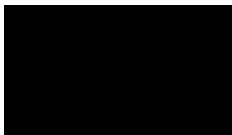
We recommend that the contracting officer require the Association to provide evidence or supporting documentation ensuring that the FEPDO has implemented corrective actions to timely resolve audit findings, affecting the FEHBP, identified during non-OIG audits of BCBS plans (i.e., IPA audits and CPR's). The contracting officer should also require the Association to provide a certification that the FEPDO has implemented these corrective actions.

BCBSA Response

BCBSA created a tracking log to monitor and close out Corrective Action Plans from any non-OIG audits. BCBSA contacts the Plans if the target date of completion is near and/or has expired. BCBSA requires Plans to provide evidence of completion. The evidence is reviewed in order to consider the Corrective Action Plan closed. BCBSA will also work with the OPM Audit Resolution and Compliance staff to provide a certification that the process has been implemented.

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,

A solid black rectangular box redacting the signature of the Managing Director.

Managing Director, Program Assurance



Report Fraud, Waste, and Mismanagement

Fraud, waste, and mismanagement in Government concerns everyone: Office of the Inspector General staff, agency employees, and the general public. We actively solicit allegations of any inefficient and wasteful practices, fraud, and mismanagement related to OPM programs and operations. You can report allegations to us in several ways:

By Internet: <http://www.opm.gov/our-inspector-general/hotline-to-report-fraud-waste-or-abuse>

By Phone: Toll Free Number: (877) 499-7295
Washington Metro Area: (202) 606-2423

By Mail: Office of the Inspector General
U.S. Office of Personnel Management
1900 E Street, NW
Room 6400
Washington, DC 20415-1100