



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

Final Audit Report

**Audit of the Tribal Insurance Processing System as
Administered by the U.S. Department of Agriculture's
National Finance Center
For Fiscal Years 2012 through 2014**

**Report Number 1L-0A-00-14-074
November 16, 2015**

-- CAUTION --

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EXECUTIVE SUMMARY

Audit of the Tribal Insurance Processing System as Administered by the U.S. Department of Agriculture's National Finance Center for Fiscal Years 2012 through 2014

Report No. 1L-0A-00-14-074

November 16, 2015

Why Did We Conduct the Audit?

The main objective of the audit was to determine whether costs charged and services provided to Tribal enrollees in the Federal Employees Health Benefits Program were in accordance with the service level agreements between the U.S. Department of Agriculture's National Finance Center (NFC) and the U.S. Office of Personnel Management (OPM).

What Did We Audit?

The Office of the Inspector General has completed an audit of NFC's financial operations and performance results in its administration of the Tribal Insurance Processing System (TIPS) during fiscal years (FY) 2012 through 2014. Our audit was conducted from January 26 through February 6, 2015, at NFC's offices in New Orleans, Louisiana.

What Did We Find?

We determined that NFC needs to strengthen its procedures and controls related to its financial responsibilities to administer TIPS.

Our audit identified three areas requiring improvement.

1. OPM and NFC's FY 2014 Service Level Agreement to administer TIPS did not address how to handle surplus Operations and Maintenance fees, which totaled \$187,063.
2. TIPS undercharged three enrollees by \$18,090 and overcharged one enrollee by \$755 in Federal Employees Health Benefits Program premiums, due to system errors.
3. The Tribal Employers for four enrollees did not correctly input the enrollees' Health Benefits Election Form data into TIPS, and the Tribal Employers for an additional three enrollees did not respond to questions regarding similar data entry errors.



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for Audits*

ABBREVIATIONS

Affordable Care Act	<i>Patient Protection and Affordable Care Act</i>
CLER	Federal Employees Health Benefits Program Centralized Enrollment Clearinghouse
FEHBP	Federal Employees Health Benefits Program
FY	Fiscal Year
Green Book	<i>Standards for Internal Control in the Federal Government</i>
NFC	National Finance Center
O&M	Operations and Maintenance
OIG	Office of the Inspector General
OPM	U.S. Office of Personnel Management
PRT	Project Review Team
QLE	Qualifying Life Event
SCR	Software Change Request
SF	Standard Form
SLA	Service Level Agreement
TIPS	Tribal Insurance Processing System
Tribal Employer	Indian tribes, tribal organizations, and urban Indian organizations

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I. BACKGROUND

This final report details the findings and conclusions resulting from our audit of the Tribal Insurance Processing System (TIPS), as administered by the U.S. Department of Agriculture's National Finance Center (NFC) for fiscal years (FY) 2012 through 2014. The audit was performed by the U.S. Office of Personnel Management's (OPM) Office of the Inspector General (OIG), as authorized by the Inspector General Act of 1978, as amended.

On March 23, 2010, President Barack Obama signed the *Patient Protection and Affordable Care Act* (Affordable Care Act) into law. Section 10221 of the Affordable Care Act incorporated and enacted the *Indian Health Care Improvement Reauthorization and Extension Act of 2009*. This Act entitles Indian tribes, tribal organizations, and urban Indian organizations (collectively known as Tribal Employers) carrying out programs under the *Indian Health Care Improvement Act* or the *Indian Self-Determination and Education Assistance Act*, to purchase Federal Employees Health Benefits Program (FEHBP) coverage, rights, and benefits for their employees, provided that the necessary employee deductions are made and Tribal Employer contributions are paid.

OPM has overall responsibility for administering the FEHBP, including Tribal Employer participation in the FEHBP. Beginning in FY 2012, OPM's Healthcare and Insurance Office entered into a series of service level agreements (SLAs) with NFC to act as the paymaster for Tribal Employer participation in the FEHBP, which includes the responsibility for maintaining the enrollment system of record, and collecting insurance premium payments and Operations and Maintenance (O&M) fees from Tribal Employers through TIPS. The O&M fees are used to reimburse NFC for its expenses in administering TIPS. NFC's responsibilities under its SLAs with OPM are carried out at its office in New Orleans, Louisiana. This is our first audit of NFC's administration of TIPS.

The initial results of our audit were discussed with NFC officials during an exit conference on March 11, 2015. A draft report was provided to NFC for review and comment on June 3, 2015. NFC's response to the draft report was considered in the preparation of this final report and is included as an appendix.

II. OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

The primary purpose of this audit was to determine whether costs charged and services provided to tribal enrollees were in accordance with the agreements between NFC and OPM.

Our audit objectives included:

Finance Review

- To determine if NFC's actual expenses exceeded its approved budgeted expenses.
- To determine if NFC's expenses reconciled to the O&M fees collected from Tribal Employers and the SLA funds received from OPM.
- To determine if NFC's expenses were actual and allocable charges to NFC's administration of TIPS.
- To determine if NFC's premiums collected from Tribal Employers reconciled to premiums remitted to OPM, and if NFC's O&M fees collected from Tribal Employers reconciled to O&M fees deposited into NFC's Treasury account.
- To determine if retroactive adjustments, premiums, and O&M fees reported in NFC's billing statements reconciled to supporting documentation and financial analysis.
- To determine if NFC executed its financial management operations and maintenance responsibilities required in its agreements with OPM.

Performance Review

- To determine if NFC executed its performance responsibilities required in its agreements with OPM.

Scope and Methodology

We conducted this 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 the audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

This performance audit covered NFC's financial operations and performance results in its administration of TIPS during FYs 2012 through 2014. NFC administers TIPS from its office located in New Orleans, Louisiana. The audit fieldwork was conducted at NFC's office from January 26 through February 6, 2015. Additional audit work was completed at our Cranberry Township, Pennsylvania, and Washington, D.C. offices.

In planning and conducting the audit we obtained an understanding of NFC'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 for audit. For those areas selected, we relied primarily on substantive tests of transactions and not tests of controls. Additionally, since our audit would not necessarily disclose all significant matters in the internal control structure, we do not express an opinion on NFC's system of internal controls taken as a whole.

The audit included tests of accounting records and other auditing procedures we considered necessary to determine compliance with NFC's agreements with OPM. Exceptions noted in the areas reviewed are set forth in the "Audit Findings and Recommendations" section of this report. With respect to the items not tested, nothing came to our attention that caused us to believe that NFC 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 NFC. Due to the 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.

To accomplish our audit objectives, we performed the following procedures for FYs 2012 through 2014:

Finance Review

- We compared NFC's actual expenses to its budgeted expenses that were approved by OPM, to verify that the actual expenses did not exceed the budgeted amounts.
- We compared NFC's actual expenses to the O&M fees collected and funds received by OPM to identify any reimbursement variances.
- For direct labor expenses, we judgmentally selected two high dollar months from each year and excluded all transactions under \$100 (totaling \$610,826 out of a universe of \$1,919,194). Using that sample of six months, we then identified a sample of 25 individuals (totaling \$368,076 out of 141 individuals totaling \$610,826) who charged the highest labor expense for review.
- For non-labor direct and indirect expenses, we reviewed all 157 expense transactions over \$100 (totaling \$1,713,857 out of a universe of 261 transactions totaling \$2,653,634).
- We compared the premiums and O&M fees collected by NFC via TIPS to the premiums remitted to OPM and O&M fees deposited into NFC's Treasury account to determine if the amounts reconciled.
- We judgmentally selected a sample of 20 enrollees with 397 billing transactions totaling \$235,051 in premiums and O&M fees (out of a universe of 14,560 enrollees

with 227,285 billing transactions totaling \$169,597,624) for review to determine if the enrollees were properly billed. Specifically, we selected the top 20 billing transactions with the highest absolute value in retroactive adjustments. The top 20 transactions represented 20 different enrollees so we then reviewed all billing transactions for each enrollee.

- We obtained supporting documentation to verify that NFC met its financial management responsibilities required by its agreements with OPM, including
 - 1) Notifying OPM of Tribal Employers who do not have sufficient funds to pay the required premiums and O&M fees;
 - 2) Billing OPM for the manual entry and processing of standard forms on behalf of Tribal Employers; and
 - 3) Notifying OPM when O&M fees collected began to exceed program costs so that OPM could adjust the O&M fees.

Performance Review

- We obtained supporting documentation to verify that NFC met its performance responsibilities required by its agreements with OPM, including
 - 1) Implementing and meeting certain performance metrics;
 - 2) Tracking call handle time and call abandonment rates; and
 - 3) Performing FEHBP Centralized Enrollment Clearinghouse¹ functions on behalf of Tribal Employers.

The samples selected during our review were not statistically based. Consequently, the results could not be projected to the universe since it is unlikely that the results are representative of the universe taken as a whole.

¹The FEHBP Centralized Enrollment Clearinghouse (CLER) provides a platform for both health insurance carriers and Federal Government payroll offices to conduct their quarterly reconciliation of FEHBP enrollment data records as required by OPM. The CLER database stores, maintains, processes, edits, combines, and compares the FEHBP enrollment data received from the Federal payroll offices and participating FEHBP carriers. Any discrepancies between the payroll data and the carrier enrollment data identified during CLER reconciliations are resolved between OPM, Federal payroll offices, and the health insurance carriers. As part of its administration of TIPS, NFC functions as the Federal payroll office for Tribal Employers and performs those responsibilities on their behalf. Additionally, NFC administers CLER via a separate agreement with OPM.

III. AUDIT FINDINGS AND RECOMMENDATIONS

A. FINANCIAL REVIEW

1. Surplus Operations and Maintenance Fees \$187,063

The FY 2014 Service Level Agreement (SLA) between OPM and NFC to administer the Tribal Insurance Processing System (TIPS) did not address how to handle \$187,063 in excess funds as a result of surplus Operations and Maintenance (O&M) fees.

The 2014 SLA allows NFC to obtain the full recovery of its costs through the collection of O&M fees and the direct billing of OPM for any shortage of funds.

For each year of our scope, we performed a reconciliation of NFC's actual expenses to the O&M fees collected from Tribal Employers and the interagency agreement funds collected from OPM. For FY 2014, we determined that NFC collected \$187,063 in O&M fees from Tribal Employers in excess of its actual expenses.

We reviewed the FY 2014 SLA for guidance on handling excess O&M fees and determined that there was no language in place to address this circumstance. NFC also stated that it has no process in place to handle excess O&M fees and is awaiting guidance from OPM.

A lack of guidance in the agreements between OPM and NFC resulted in a \$187,063 surplus that could be put to better use.

Due to the SLA not addressing excess funds and OPM's lack of guidance, there is currently a surplus of \$187,063, from FY 2014 O&M fees, held in NFC's Treasury account that can be put to better use.

Recommendation 1

We recommend that OPM provide guidance to NFC on how to handle the surplus of \$187,063 from FY 2014 O&M fees.

NFC Response:

NFC agrees with this recommendation and is working with OPM to return the surplus funds, but states that OPM action is required to address the recommendation.

OIG Comment:

We agree with NFC’s comments and note that OPM should provide guidance to NFC in a timely manner to ensure that the surplus funds are put to better use.

Recommendation 2

We recommend that OPM and NFC develop language in future SLAs to address how excess funds should be handled.

NFC Response:

NFC agrees with this recommendation and states that a new program billing process has been coordinated with OPM and will be implemented in FY 2016. The new billing process will require NFC to transfer all fees collected, both premiums and O&M fees, to OPM for deposit in the Employees’ Health Benefits Fund. NFC will then be reimbursed for its administrative expenses through a separate transfer of funds from OPM.

OIG Comment:

As part of the audit resolution process, OPM should provide the updated policies and procedures so that we can determine if the changes scheduled for implementation are adequate.

2. System Billing Errors \$17,335

TIPS undercharged three enrollees by \$18,090 and overcharged one enrollee by \$755 in FEHBP premiums, due to system errors.

Backlogged system updates contributed to TIPS billing errors.

OPM and NFC’s FY 2013 and 2014 SLAs to administer TIPS state that NFC’s responsibilities include, “Ensure [project management oversight] and functional costs include program management and oversight, continuous improvement and enhancement objectives, readiness for open enrollment, processing and standard operation procedure definitions, and technology and process training.”

Additionally, the Government Accountability Office’s 1999 *Standards for Internal Control in the Federal Government*, also known as the “Green Book” states, “Control should be installed at an application’s interfaces with other systems to ensure that all inputs are received and are valid and outputs are correct and properly distributed. An example is

computerized edit checks built into the system to review the format, existence, and reasonableness of data.”

Finally, the Green Book states, “Internal control should generally be designed to assure that ongoing monitoring occurs in the course of normal operations. It is performed continually and is ingrained in the agency’s operations. It includes regular management and supervisor activities, comparisons, reconciliations, and other actions people take in performing their duties.”

For FYs 2012 through 2014, we conducted a billing review of 20 sample enrollees, based on the highest dollar adjustments, to determine if TIPS was correctly processing each enrollee’s monthly premium and O&M fee transactions. Based on our review, we identified four enrollees with erroneous billing transactions. The transactions are summarized as follows:

- One enrollee was undercharged \$9,152 for 14 months of premium due to TIPS billing the “self” rate instead of the correct “family” rate;
- One enrollee was undercharged \$7,610 for seven months of premium due to TIPS failing to process a retroactive adjustment properly;
- One enrollee was undercharged \$1,328 for one month of premium due to TIPS failing to bill the enrollee that month; and
- One enrollee was overcharged \$755 for one month of premium due to TIPS billing the “family” rate instead of the correct “self” rate.

NFC reviewed and agreed with each of the errors we identified. NFC stated that three of the four errors (in the amounts of \$9,152, \$7,610, and \$755) related to two software change requests (SCR) that NFC had identified prior to our audit and logged in its Project Review Team (PRT) report as part of its routine operations. The PRT report is a queue of identified and scheduled SCRs, which are needed system updates to TIPS that NFC maintains and sends to OPM as requested. SCRs logged in the PRT report are implemented following a cost-benefit analysis, a determination of available funding, an approval from OPM to proceed, and a development, testing, and implementation cycle administered by NFC.

We reviewed NFC’s December 2014 PRT report and determined that one of the above identified SCRs was scheduled to be implemented in April 2015 while the other SCR was not scheduled to be implemented. In fact, our review of this report showed that there are at least 31 SCRs (including the 2 related to our billing errors) that were identified during FYs 2012 through 2015 by NFC, OPM, and Tribal Employers, that remain outstanding and have not been implemented as of December 2014, which could put program operations at risk.

As to the remaining billing error (in the amount of \$1,328), NFC stated that the error occurred for an undetermined reason and was likely due to the system roll-out since NFC had not identified it before. NFC stated that this error is not related to a known SCR and it does not believe an SCR is warranted.

To correct the billing errors identified during this audit, NFC is waiting for guidance from OPM before contacting the Tribal Employers.

As a result of these errors, four enrollees were collectively undercharged \$17,335 in FEHBP premiums (\$18,090 in undercharges less \$755 in overcharges). Additionally, since the error rate of our sample was 20 percent (4 enrollees out of 20 sampled), we believe there is a risk that additional, unknown errors may exist in TIPS. Finally, we are concerned that NFC's backlog of SCRs documented in its PRT report are not being implemented in a timely manner, which increases the risk of transaction errors and reduces the overall effectiveness of the system

Recommendation 3

We recommend that OPM direct NFC to contact the Tribal Employers affected by the billing errors in order to resolve the issues by collecting \$18,090 for the three enrollees that were undercharged and providing a credit of \$755 for the one enrollee that was overcharged.

NFC Response:

NFC agrees with our recommendation and states that during the audit, it already resolved the billing error in the amount of \$9,152 by contacting the Tribal Employer and adjusting its account. NFC states that it is awaiting direction from OPM to proceed with other adjustments.

OIG Comment:

OPM should obtain supporting documentation to verify that NFC's billing adjustment in the amount of \$9,152 was handled correctly.

Recommendation 4

We recommend that OPM direct NFC, through future agreements, to implement policies and procedures for conducting ongoing manual reviews or audits of enrollee billing transactions to identify additional or unknown billing errors, and to assess the potential impact of the errors on enrollees.

NFC Response:

NFC agrees with our recommendation and states that the requirements of its SLA with OPM outline the following activities: Tribal Employers are required to review their monthly bills and report any discrepancies to NFC, NFC personnel research reported discrepancies and respond to Tribal Employers to perform adjustments as necessary, and NFC personnel independently perform internal billing reviews each month to identify errors or discrepancies which are communicated to Tribal Employers for agreement and correction. Additionally, NFC was requested to refrain from correcting discrepancies found during our audit by OPM until after the final audit report was issued.

OIG Comment:

While we observed NFC's periodic reviews of TIPS billing data during our audit, we were not provided with policies and procedures to verify that ongoing, routine, and focused reviews of TIPS billing data were taking place. Furthermore, NFC and OPM's agreements in effect during our audit did not require a manual review process by NFC personnel and the results of our audit demonstrate that unknown errors and/or unknown erroneous transactions stemming from known errors do exist. Therefore, we reiterate the need for OPM to implement this recommendation to ensure the integrity and accuracy of TIPS billing processes.

Recommendation 5

We recommend that OPM coordinate with NFC to verify the effectiveness of the SCR that NFC scheduled for implementation beginning April 2015 (Logical Order of Forms Processes).

NFC Response:

NFC agrees with our recommendation and states that it met with OPM in March 2015 to prioritize SCRs and a ranking of the top five SCRs was coordinated and agreed upon. Since this meeting, the first SCR has been implemented and the second SCR is approaching User Acceptance Testing. However, the SCR scheduled for implementation in April 2015 was given a lower priority and has not been implemented to date.

OIG Comment:

We acknowledge NFC's cooperation with OPM to prioritize SCRs for needed TIPS upgrades. However, it did not provide supporting documentation for its March 2015 meeting with OPM or a timeframe to implement the SCR to address this recommendation. As a result, we were unable to verify the scheduling and ongoing implementation of SCRs to improve TIPS. Consequently, OPM should ensure that its process of coordinating, prioritizing, budgeting, and implementing TIPS SCRs with NFC is formalized and incorporated into its agreements. Additionally, OPM should direct NFC to implement the SCR in this recommendation in a timely manner, to ensure that a known system error identified during our audit is corrected.

Recommendation 6

We recommend that OPM evaluate NFC's entire process for identifying, logging, analyzing, and implementing TIPS SCRs to determine the most efficient and effective method of balancing vital system updates with their associated costs. OPM and NFC's future agreements should include language requiring both parties to develop joint policies and procedures related to the review and implementation of system updates. Given the error rate and the backlog of SCRs identified during our review, it's critical that OPM take a greater role in coordinating and facilitating TIPS software updates to prevent and detect systemic errors.

NFC Response:

NFC agrees with our recommendation and states that it distinguishes between SCRs that arise during the normal course of operations in the SLA to correct or fix a system issue and SCRs that enhance or implement new features into the system beyond the agreed upon requirements of the SLA. The former SCRs are funded through O&M fees and may be implemented internally without input from OPM in a routine manner. The latter SCRs are not funded through O&M fees and require additional financing, program specifications, and approval from OPM. Once these steps are taken, the SCR is entered into a formal software development life cycle process for development, programming, and testing before implementation, which requires greater prioritization of time and resources.

Additionally, not all of the backlogged SCRs were submitted by OPM. Those that were submitted internally receive lower priorities than those related to Incident Reports and those submitted by OPM. "These unscheduled SCRs inflated the number of outstanding SCRs and are currently being tabled while higher priority SCRs are analyzed. Other SCRs were put on

‘Hold’ by OPM because of funding concerns and feared shortages on the administrative fee collections.”

OIG Comment:

We acknowledge that TIPS operations is a line of business for NFC that follows NFC’s internal policies and procedures for system maintenance. However, we reiterate our recommendation that OPM should take a more active role in the SCR process as this will ensure timely implementation of necessary system updates and greater financial oversight.

3. Tribal Employer SF 2809 Data Entry Errors

Procedural

Tribal Employers of four enrollees incorrectly input *Standard Form (SF) 2809 – Health Benefits Election Form* data into TIPS, and the Tribal Employers for an additional three enrollees did not respond to our questions regarding similar data entry errors.

OPM’s *TIPS 101 Participant Guide*, which is used to train Tribal Employers on participation in the FEHBP and the use of TIPS, states that it is the Tribal Employer’s responsibility to validate tribal employee enrollment and plan change requests, and enter enrollments and plan changes into TIPS.

Additionally, OPM’s *SF 2809 Guidance for Tribal Employers*, which is used to train Tribal Employers on the use of SF 2809s, states that it is the Tribal Employer’s responsibility to:

- obtain the SF 2809 from employees;
- answer employee questions;
- check the accuracy of each employee’s SF 2809;
- complete Part I of the SF 2809;
- input the SF 2809 data into TIPS;
- distribute a copy of the completed SF 2809 to employees; and,
- complete an informational SF 2809 when correcting demographic information or adding a new family member.

A known loophole in TIPS allowed Tribal Employers to make retroactive enrollment adjustments outside of qualifying life event requirements.

Finally, OPM and the Tribal Employers’ Agreement to Purchase FEHBP Coverage, Section IV(C), states that as a participant in a Federal program, each Tribal Employer will be subject to audit by OPM’s OIG with respect, but not limited, to employment, enrollment, and payment of premiums. Each Tribal Employer agrees to provide access to documents relevant to the FEHBP upon request.

For the period May 2012 through September 2014, we conducted a billing review of a sample of 20 enrollees to determine if TIPS was correctly processing each enrollee's monthly premium and O&M fee transactions. Based on our review, we identified seven enrollees whose Tribal Employers submitted their SF 2809s into TIPS at least 189 days after the date it received the form from the employee.

For all seven enrollees, the untimely submission of SF 2809 data into TIPS triggered retroactive adjustments resulting in a monetary effect on their accounts (credits and/or charges for FEHBP premiums). We contacted the Tribal Employers for the seven enrollees to request additional documentation and an explanation for the late submission of data into TIPS. The results of our requests and our analysis of the Tribal Employers' responses for the seven enrollees were as follows:

- The employers for two enrollees did not respond to our initial or follow-up requests for information.
- The employer for one enrollee provided the wrong documentation and did not respond to our follow-up requests for information.
- One enrollee was erroneously enrolled in a "self plus family" plan by the employer instead of the correct "self" plan. The employer was notified by the enrollee that the enrollment was incorrect but it did not submit an updated electronic SF 2809 into TIPS until eight months later. The employer did not tell us why it took eight months to fix the error. Additionally, we found that the qualifying life event (QLE) code entered by the employer into TIPS was incorrect and Part I of the hardcopy SF 2809 was not completed by the employer prior to entering data into TIPS.
- One enrollee was erroneously enrolled in a "self plus family" plan by the employer instead of the correct "self" plan. The employer did not submit an updated electronic SF 2809 into TIPS until nine months after the original submission of the form, and even then it input the wrong "self" plan code. The enrollee was enrolled in the wrong "self" plan code up to the scope of our review in September 2014. The employer did not tell us why it took nine months to identify and fix the error, nor why the enrollee was continuously enrolled in the wrong "self" plan code. Additionally, we found that Part I of the SF 2809 was not completed by the employer prior to entering data into TIPS.
- One enrollee was erroneously enrolled in a "self plus family" plan by the employer instead of the correct "self" plan. Additionally, we found that Part I of the SF 2809 was not completed by the employer prior to entering the data into TIPS. The employer stated that it relied on an insurance broker to provide guidance on completing the SF 2809,

instead of relying on guidance from OPM. Specifically, the insurance broker advised the Tribal Employer to not complete Part I of the SF 2809. The insurance broker then altered the SF 2809 that was completed by the enrollee and submitted it to the enrollee's FEHBP carrier, without the employer or the employee's approval, thereby causing confusion and the error. This ultimately required the employer to submit an updated electronic SF 2809 into TIPS, to correct the enrollment error, over one year after receipt of the SF 2809 from the enrollee.

- The employer for one enrollee lost the SF 2809 submitted by the enrollee due to poor record-keeping and staff turnover. The employer did not submit an updated electronic SF 2809 into TIPS until seven months later when the enrollee notified the employer of the error.

We spoke with NFC officials to determine what TIPS internal controls were in place over electronic SF 2809s submitted by Tribal Employers that result in retroactive activity (credits and/or charges for FEHBP premiums). NFC officials stated that during the design and implementation of TIPS there were system edits put in place to restrict retroactive adjustments. However, there was a known "loophole" in the system that allowed Tribal Employers to bypass the system edits and enter data into TIPS to trigger retroactive adjustments by manipulating certain dates in the system. NFC officials stated that OPM was aware of this loophole but chose to allow it so Tribal Employer personnel actions were not restricted and since retroactive adjustments are permitted in certain circumstances.

We spoke with OPM officials regarding the numerous errors identified with the Tribal Employers during our review. OPM officials stated that the issues were likely related to the lack of effective training, as well as a need for new controls and edits in TIPS to restrict retroactive changes by Tribal Employers. We also informed OPM officials that three of the Tribal Employers never responded to our initial or follow-up requests.

As a result of these various administrative errors, the Tribal Employers for four enrollees whose documentation we reviewed received a combined retroactive credit in the amount of \$22,517. For the other three enrollees, whose Tribal Employers never responded to our information requests, we could not verify the appropriateness of the combined \$6,008 in retroactive credits. Additionally, Tribal Employers took advantage of the system "loophole" which allowed them to alter dates and input retroactive adjustments exceeding one year. This creates a significant risk that Tribal Employers and employees can alter their enrollment status at any time without regard to the QLE requirements and the time frames that Federal employees are required to follow. Finally, one Tribal Employer relied on the guidance of an insurance broker who provided incorrect information and altered one enrollee's SF 2809 without the enrollee or the tribal employer's input.

Recommendation 7

We recommend that OPM issue policies and procedures outlining Tribal Employers' responsibilities for submitting electronic SF 2809s into TIPS in a timely manner and defining the allowable circumstances for Tribal Employers to input retroactive adjustments and receive retroactive credits. OPM's guidance should clearly distinguish between enrollment scenarios that dictate prospective versus retroactive adjustments.

Recommendation 8

We recommend that OPM issue policies and procedures pertaining to Tribal Employers' use of insurance brokers during their participation in the FEHBP. OPM's guidance should define the acceptable roles, responsibilities, and limitations of the insurance brokers in handling enrollee health benefit forms, performing actions on behalf of the Tribal Employer, and submitting data to FEHBP carriers. OPM's policies and procedures must clearly state that Tribal Employers are to receive FEHBP guidance from OPM and not the insurance brokers.

NFC Response:

NFC agrees with these recommendations and states that it has asked OPM to provide it with business rules for TIPS FEHBP transactions to strengthen system edits and minimize errors.

OIG Comment:

We will await the guidance from OPM to see if it's sufficient to address our recommendations.

Recommendation 9

We recommend that OPM require NFC to implement a TIPS system edit that compares the date of a QLE for enrollment changes with the date the SF 2809 information is entered within TIPS to ensure that submissions are made timely. Any variances of more than 60 days should require an explanation by the Tribal Employer.

NFC Response:

NFC agrees with the recommendation and states that it already has an edit in place that edits dates according to the QLE chart in the SF 2809 instructions but greater emphasis needs to be placed on training Tribal Employers on the correct usage of the system.

OIG Comment:

While we recognize that there is an edit in place, it can be bypassed by manipulating certain dates in the system to trigger retroactive adjustments. Therefore, while we do agree that greater training for Tribal Employers is needed, there is still a need to strengthen TIPS by implementing an edit (or edits) to validate QLE dates to Tribal Employer SF 2809 input dates.

B. PERFORMANCE REVIEW

The results of our review showed that NFC had sufficient policies and procedures in place to ensure that it met all of the performance responsibilities required in its SLAs with OPM for FYs 2012 through 2014.

IV. MAJOR CONTRIBUTORS TO THIS REPORT

Special Audits Group

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National Finance Center's (NFC) Response for
"1L-0A-00-14-074 Draft Audit Report
Tribal Insurance Processing System as Administered
by the National Finance Center"

A. FINANCIAL REVIEW

1. Surplus Operations and Maintenance Fees (\$187,063)

***NFC Response:** NFC agrees with the Office of Personnel Management's (OPM) finding and recommendations. NFC is aware of the surplus operations and maintenance fee collection for Fiscal Year (FY) 2014 and is working with OPM to return the funds.*

Recommendation 1

OPM action required.

Recommendation 2

NFC proposes implementing our United States Department of Agriculture (USDA) Office of the General Counsel's (OGC) advice that establishing a process whereby NFC transfers all fees collected (premiums and administrative) to OPM for deposit into the Employees Health Benefits Fund would be more closely aligned with the statutory and appropriations requirements rather than the current process of NFC simply retaining the fees to cover its costs. NFC would be reimbursed for its work under the Economy Act (EA) agreement through a separate transfer of funds from OPM. This would ensure NFC operates within the scope of its authority under the EA. A Software Change Request (SCR) is in the queue for FY 2016 to implement this new process. OPM's OGC concurred with the advice of the USDA OGC.

2. System Billing Errors (\$17,335)

***NFC Response:** NFC agrees with OPM's findings. However, we are providing clarification below for your review and revision.*

Three of the four errors (in the amounts of \$9,152, \$7,610, and \$755) were identified as potential system errors prior to the issuance of this audit report. Incident Reports (IRs) were created in our Remedy Incident Tracking System to document and track the issues through resolution. The above incidents were subsequently re-classified as SCRs in order to conduct further analysis and to gather programming requirements on their root cause. SCR (scheduled and unscheduled) statuses are reported to NFC's customers via the Project Review Team (PRT) reports monthly as part of its routine operations.

The PRT report is a listing of all SCRs submitted by both internal and external users to NFC's Project Control Office (PCO). SCRs in the queue can be submitted as an enhancement to the current system, a change in requirements, and/or to correct a programming error.

As to the remaining billing error (in the amount of \$1,328), NFC believes the error occurred for an undetermined reason during one of the initial startup billing cycles in 2012. NFC does not believe an SCR is warranted to fix an underlying issue because this billing occurrence has not been reported as an error in any subsequent Tribe bills or during any monthly internal billing reviews.

NFC will adjust all errors accordingly (one has already been corrected) once given the approval to proceed from OPM.

Recommendation 3

During the audit, OPM requested that NFC hold off on contacting the Tribal Benefit Officer (TBO) to correct discrepancies found during the audit. However, regarding the first billing issue in the amount of \$9,152, the TBO had already been made aware of the error through our normal process; the TBO confirmed the adjustment was needed, and that account is now reconciled.

NFC is awaiting direction from OPM to proceed with the other adjustments.

Recommendation 4

As stated in the TIPS Service Level Agreement between NFC and OPM, Tribes are required to review their monthly bills and report any billing discrepancies to NFC. TIPS operations personnel will research and respond to the TBOs with findings. In addition, TIPS operations personnel perform internal billing reviews each month. If errors or discrepancies are found, NFC has the capability to perform billing adjustments for the Tribes on subsequent bills. Prior to making any billing adjustment, TIPS operations personnel will contact the TBOs to gain approval for the proposed adjustment. As mentioned above, OPM requested that NFC hold off on contacting TBOs to correct discrepancies found during the audit until the audit report was released.

Recommendation 5

In March 2015, OPM visited NFC to help prioritize unscheduled SCRs. Together, NFC and OPM prioritized the 5 top SCRs for scheduling. For each SCR submitted by OPM, OPM was requested to sign off on the functional requirements prior to the development of new codes. For SCRs that are submitted as an enhancement or to correct a system issue, OPM is invited to participate in Customer User Acceptance Testing (CUAT). Since OPM's priorities were established in March 2015, their number 1 priority has been implemented and their number 2 priority is approaching User Acceptance Testing (UAT); however, the specific SCR mentioned in Recommendation 5 was given a priority 4 of 5 by OPM in the March 2015 meeting and has not been implemented to date.

Recommendation 6

Enhancement and new requirement SCRs are logged in by NFC's PCO and implemented following NFC's SCR Management Directive which follows GESD's Software Development Life

Cycle. Enhancement and new requirement SCRs could require additional funding based on NFC's cost-benefit analysis. Enhancement and new requirement SCRs are not considered part of the Operation and Maintenance (O&M) of TIPS. OPM would have to signoff on the Functional Requirements of the SCR and inter-agency agreement amount before program development effort commence. Once the reimbursable agreement is signed, the SCR is prioritized based on current workload and scheduled for implementation based on pre-determined schedule releases. SCRs that arise to correct a system issue are analyzed, prioritized, and scheduled. SCRs to correct or fix a system issue do not incur additional fees, do not have to be implemented during a schedule release, and are considered part of the O&M rate.

Regarding the back log of SCRs, all were not submitted by OPM. Some were submitted internally to improve TIPS operations and receive lower priorities than those related to IRs and those submitted by OPM. These unscheduled SCRs inflated the number of outstanding SCRs and are currently being tabled while higher priority SCRs are analyzed. Other SCR were put on "Hold" by OPM because of funding concerns and feared shortages on the administration fee collections.

3. Tribal Employer SF 2809 Data Entry Errors (Procedural):

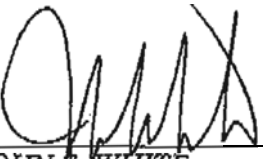
NFC Response: NFC agrees with OPM's findings.

Recommendations 7 and 8

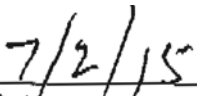
NFC has asked OPM to prepare/publish Business Rules for TIPS' Federal Employees Health Benefits (FEHB) transactions identifying policies and procedures for the TIPS FEHB program. Edits can be added to strengthen the TIPS system based on those business rules to help enforce the validity of transaction data and minimize errors and the need for billing adjustments.

Recommendation 9

There is currently an edit in the TIPS system that edit dates according to the Qualifying Life Event chart outlined in the Standard Form 2809 Instructions. NFC and OPM can work together on training materials to enforce the use of actual received, event, and effective dates in the TIPS system.



JOHN S. WHITE
Director



Date



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