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**Letter Number 2024-15**

**Date: June 25, 2024**

Fee-for-service [13]

Experience-rated HMO [13]

Community-rated HMO [N/A]

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## **Subject: Guidance for Audited Financial Statements for Federal Fiscal Year 2024**

The 2024 *FEHBP Financial Reporting and Audit Guide* [the "Guide"] presents detailed requirements for financial reporting due from all FEHB experience-rated carriers, including auditing requirements.

The U.S. Office of Management and Budget (OMB) requires that all Federal agencies, including the Office of Personnel Management (OPM), publish their financial statements by November 15, 2024, to meet the fiscal year (FY) requirements. To meet this deadline, OPM has worked closely with many carriers to develop the Guide, containing financial reporting and auditing requirements applicable to carriers.

### **FY 2024 Financial Reporting Requirements**

As presented in the Guide, all FEHB experience-rated carriers must submit a Federal FY Schedule of Selected Balances (SSB) no later than **1 pm Eastern Time on October 8, 2024**. The SSB enables OPM to prepare FEHBP financial statements within OMB's deadline. Carriers must provide the SSB on an Excel version of the SSB, which will be provided separate from the Guide.

Carriers must also provide an explanation for each line item of the SSB for the carriers who are subject to primary and secondary audit coverage (as defined on page 2 below) with a percentage variance from the previous

year's quarter exceeding **five percent (5%) if greater than \$2.5 million and ten percent (10%) if greater than \$1.0 million**, respectively. Auditing the SSB reports is not required.

As indicated in the FEHBP Financial Reporting and Audit Guide, the financial information carriers must prepare by June 30, 2024 (Carriers who are subject to Primary Audit Coverage Only) is a key component of the auditing approach adopted by OPM's independent auditors. The financial information must be as of and for June 30, for the six- or nine-month period in accordance with the financial reporting option selected by the carrier, either option 1 or 2.

OMB Circular A-123, "Management's Responsibility for Internal Control," assigns responsibility to all agencies for establishing and maintaining internal controls to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations. We require a management official from each carrier who are subject to Primary and Secondary Audit Coverage to provide OPM with a letter documenting how it did or did not meet this requirement. The documentation must cover internal controls for the period October 1, 2023, through August 31, 2024. This report is due no later than close of business on September 9, 2024. Report of any subsequent events for the Federal FY Ended September 30, 2024, is due no later than close of business on October 7, 2024.

## **Auditing Requirements**

**Primary Audit Coverage.** Primary audit coverage pertains to carriers with claims expenses of \$535 million or more in the contract (calendar) year 2023. Carriers that have elected Financial Reporting Option 2 in the Guide must submit a report on compliance with laws, regulations, and internal controls in accordance with Generally Accepted Government Auditing Standards (GAGAS), and a report on the application of certain agreed-upon-procedures. This requirement is in addition to the audited financial statements as of and for September 30, 2024.

**Secondary Audit Coverage.** Secondary audit coverage pertains to carriers with claims expenses of less than \$535 million in the contract calendar year 2023. The applicable carriers that have elected Option 2 in the Guide must submit a report on compliance with laws, regulations, and internal controls in accordance with Generally Accepted Government Auditing Standards (GAGAS), and a report on the application of certain agreed-upon-procedures. This requirement is in addition to the audited financial statements as of and for September 30, 2024.

**Improper Payments Reporting Agreed Upon Procedures Update, Appendix D**

The Payment Integrity Information Act of 2019 (PIIA) requires Federal agencies to improve efforts to identify and reduce government-wide improper payments (IP) and increase payment integrity across Federal programs. The Office of Management and Budget (OMB) published OMB Memorandum M-21-19, Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement (Appendix C), on March 5, 2021. Under Appendix C, Agencies are required to assess all programs and activities with annual outlays greater than \$10M and identify those that are susceptible to significant improper payments, defined as “a payment that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements”. Agencies are also required to report improper payments estimates on those programs and activities using a statistically valid sampling and estimation methodology plan (S&EMP). An S&EMP is considered statistically valid if it produces a point estimate and confidence intervals around those estimates.

All Experience-Rated Carriers are required to provide their Independent Public Accountant’s (IPA's) documentation of the application of the Improper Payment Reporting Agreed-Upon Procedures (AUP) contained in Appendix D of the Guide. This includes a statistically valid estimate of the combined amount of improper payments and unknown payments made by the carrier; it is based on dollars rather than number of occurrences. It also includes specified root cause categories of improper payments and unknown

payments. OPM has a further requirement, in that it must roll-up these estimates from all carriers who contract with OPM to provide a nationwide estimate of improper payments and unknow payments.

In order to maintain standard reporting, all Experience-Rated Carriers must perform the AUPs in Appendix D of the Guide; OPM will not consider alternate procedures designed to produce similar results. The standardized reporting results are to be reported in the OPM AUP Reports spreadsheet. This standardized data is needed for OPM to calculate the improper payment and unknown payment rate estimate for the experience-rated carriers in the FEHB Program.

Please email the required financial statements and OPM AUP Reports spreadsheet to [Ins-Carriers@opm.gov](mailto:Ins-Carriers@opm.gov) and [FEHBIP@opm.gov](mailto:FEHBIP@opm.gov), using the instructions outlined in the Guide.

If you have any questions about the requirements for financial reporting or the improper payments reporting agreed upon procedures, please direct them to [Ins-Carriers@opm.gov](mailto:Ins-Carriers@opm.gov) and [FEHBIP@opm.gov](mailto:FEHBIP@opm.gov), with a copy to your Health Insurance Specialist.

Sincerely,

Laurie E. Bodenheimer  
Associate Director  
Healthcare and Insurance

Enclosures

2024 FEHBP Financial Reporting and Audit Guide