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

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# Final Audit Report

**Audit of BENEFEDS as Administered by  
Long Term Care Partners, LLC for  
Contract Years 2014 through 2016**

**Report Number 1G-LT-00-18-040  
September 11, 2019**



# EXECUTIVE SUMMARY

*Audit of BENEFEDS as Administered by Long Term Care Partners, LLC*

Report No. 1G-LT-00-18-040

September 11, 2019

## Why Did We Conduct the Audit?

The objective of the audit was to determine whether costs charged to BENEFEDS and services provided to its users were in accordance with the U.S. Office of Personnel Management (OPM) Contract Number OPM35-14-C-0001 and applicable Federal regulations.

## What Did We Audit?

The Office of the Inspector General has completed a performance audit of BENEFEDS as administered by Long Term Care Partners, LLC (LTCP). Our audit consisted of a review of LTCP's administrative expenses, cash management, coordination of benefits, enrollment eligibility, fraud and abuse program, and performance standards for BENEFEDS operations during contract years 2014 through 2016. Our site visit was conducted from August 13 through 17, 2018, at LTCP's office in Portsmouth, New Hampshire. Additional audit work was completed at our offices in Washington, D.C. and Cranberry Township, Pennsylvania.



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**Michael R. Esser**  
*Assistant Inspector General  
for Audits*

## What Did We Find?

We determined that LTCP needs to work with OPM to strengthen its procedures and controls related to dependent eligibility and fraud and abuse for BENEFEDS operations.

Specifically, our audit identified the following deficiencies that requires corrective action:

1. OPM and LTCP have insufficient policies and procedures in place to prevent ineligible dependents from participating in the Federal Employees Dental and Vision Insurance Program.
2. LTCP does not have a vigorous fraud and abuse program in place to assess vulnerabilities and help detect and eliminate fraud and abuse for BENEFEDS operations.

No exceptions were identified from our reviews of the administrative expenses, cash management, coordination of benefits, and performance standards.

# ABBREVIATIONS

<b>COB</b>	<b>Coordination of Benefits</b>
<b>Contract</b>	<b>Contract Number OPM35-14-C-0001</b>
<b>CYs</b>	<b>Contract Years</b>
<b>FEDVIP</b>	<b>Federal Employees Dental and Vision Insurance Program</b>
<b>FEHBP</b>	<b>Federal Employees Health Benefits Program</b>
<b>FLTCIP</b>	<b>Federal Long Term Care Insurance Program</b>
<b>FSAFEDS</b>	<b>Federal Flexible Spending Account Program</b>
<b>FWA</b>	<b>Fraud, Waste, and Abuse</b>
<b>LTCP</b>	<b>Long Term Care Partners, LLC</b>
<b>OIG</b>	<b>Office of the Inspector General</b>
<b>OPM</b>	<b>U.S. Office of Personnel Management</b>

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# I. BACKGROUND

This report details the results of our audit of BENEFEDS as administered by Long Term Care Partners, LLC (LTCP) for contract years (CYs) 2014 through 2016. The audit was conducted pursuant to the provisions of Contract Number OPM35-14-C-0001 (Contract) between the U.S. Office of Personnel Management (OPM) and LTCP. The audit was performed by OPM's Office of the Inspector General (OIG), as established by the Inspector General Act of 1978, as amended.

OPM administers insurance and retirement benefits for Federal and Postal Service employees and annuitants, along with their eligible family members. BENEFEDS is a web-based portal that handles enrollment and/or premium administration services for the Federal Employee Dental and Vision Insurance Program (FEDVIP), the Federal Flexible Spending Account Program (FSAFEDS), and the Federal Long Term Care Insurance Program (FLTCIP). LTCP administers the BENEFEDS portal with OPM having the contract authority and oversight of the program.

## **Long Term Care Partners, LLC & BENEFEDS**

LTCP, a wholly owned subsidiary of John Hancock Life & Health Insurance Company, was created in 2002 to administer the FLTCIP. In 2006, LTCP assumed the responsibility for the development, maintenance, and administration of BENEFEDS necessary to facilitate the administrative functions of the FEDVIP and the FSAFEDS through multiple contracts and amendments. The contract OPM35-14-C-0001 was renewed for 2014 through 2016 and extended into 2017 (OPM35-14-C-0001 Mod 3 & 4 and OPM35-17-C-0002).

BENEFEDS consists of the system and business structures necessary to administer the enrollment and/or premium administration functions associated with multiple voluntary Federal benefits, including FEDVIP, FSAFEDS, and FLTCIP.

There are four major components to BENEFEDS:

- an enrollment website ([www.BENEFEDS.com](http://www.BENEFEDS.com));
- data transmission to and from the carriers;
- a premium administration system; and
- a customer service system.

Compliance with the laws, regulations, and contractual requirements applicable to BENEFEDS is the responsibility of LTCP's management. In addition, management of LTCP is responsible for establishing and maintaining a system of internal controls.

The results of our audit were discussed with LTCP officials at an exit conference on May 8, 2019. In addition, a draft report, dated May 24, 2019, was provided to LTCP for review and comment. LTCP's response to the draft report was considered in preparing the final report and is included as an Appendix.

Our prior audit of BENEFEDS covered CYs 2010 through 2013, and found that LTCP did not allocate expenses correctly, resulting in a \$77,590 overcharge to BENEFEDS. LTCP returned the funds through a general ledger adjustment. All findings related to the prior audit have been resolved.

## II. OBJECTIVES, SCOPE, AND METHODOLOGY

### OBJECTIVES

The main objective of the audit was to determine whether the costs charged to BENEFEDS and services provided to its members were in accordance with the terms of the Contract and applicable Federal regulations.

Our specific audit objectives were as follows:

#### **Administrative Expenses Review**

- To obtain and document an understanding of LTCP's cost accounting system.
- To determine if all overhead and administrative expenses charged to the program were actual, allocable, reasonable, and allowable.
- To determine if excess administrative fees were recorded properly and used in subsequent years to reduce administrative expenses.

#### **Cash Management Review**

- To determine if LTCP accurately transferred the FEDVIP premiums to carriers, if administrative fees for OPM and LTCP were calculated correctly and reconcile to financial statements, and to reconcile FEDVIP refunds and returned items to supporting documentation and financial statements.
- To determine if LTCP accounted for and maintained premiums and program funds independent of its other lines of business, and if the premiums and program funds were held in interest bearing accounts.
- To determine if LTCP's FEDVIP profit allowances were correctly calculated and reconcile to the financial statements.
- To obtain an understanding of OPM's fee subsidy and to reconcile the subsidy to bank statements and financial statements.
- To determine if LTCP's FSAFEDS administrative fees and profit allowances were correctly calculated and reconcile to the financial statements.

### **Coordination of Benefits Review**

- To determine if LTCP has policies and procedures in place to adequately administer coordination of benefits (COB) between the health provider and the dental/vision providers.

### **Enrollment Eligibility Review**

- To gain an understanding of the BENEFEDS and LTCP enrollment system for the FEDVIP.
- To determine if LTCP has policies and procedures in place to ensure that only eligible Federal enrollees and their dependents are enrolled in the FEDVIP.
- To determine if LTCP properly terminates dependents at age 22.

### **Fraud and Abuse Program Review**

- To determine if LTCP has policies and procedures in place to prevent, detect, and disclose fraud and abuse specific to the BENEFEDS administration.
- To determine if LTCP contracted with any subcontractors to carry out its functions for the program, and if all applicable laws and regulations were followed.
- To determine if LTCP's internal control policies and procedures include reasonable safeguards over activities and processes.

### **Performance Standards Review**

- To determine if LTCP met its performance standards and if it paid any penalties for performance standards that were not met.

## **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 included a review of the administrative expenses, cash management, COB, enrollment eligibility, fraud and abuse program, and performance standards related to the BENEFEDS for CYs 2014 through 2016. As part of our survey work, we conducted a site visit

at LTCP’s office in Portsmouth, New Hampshire from August 13 through August 17, 2018. The audit fieldwork was completed at our offices in Cranberry Township, Pennsylvania and Washington, D.C. from September 19, 2018, through May 8, 2019.

LTCP reported the following financial results for BENEFEDS operations during CYs 2014 through 2016:

<b>Contract Year</b>	<b>Receipts, Fee Subsidies, &amp; Investment Income</b>	<b>Disbursements to FEDVIP Carriers</b>	<b>Administrative Fees Paid to LTCP &amp; OPM</b>	<b>LTCP Profit</b>
<b>2014</b>	██████████	██████████	██████████	██████████
<b>2015</b>	██████████	██████████	██████████	██████████
<b>2016</b>	██████████	██████████	██████████	██████████
<b>Total</b>	██████████	██████████	██████████	██████████

In planning and conducting the audit, we obtained an understanding of LTCP’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 any significant matters involving LTCP’s internal control structure and its operation other than what was questioned in this report. However, since our audit would not necessarily disclose all significant matters in the internal control structure, we do not express an opinion on LTCP’s system of internal controls taken as a whole.

We also conducted tests to determine whether LTCP had complied with the contract and the laws and regulations governing BENEFEDS. 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 LTCP 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 LTCP. 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 audit testing, nothing came to our attention to cause us to doubt its reliability. We believe that the data was sufficient to achieve the audit objectives.

To determine whether LTCP's administration of BENEFEDS was in compliance with the terms of the contract and applicable regulations, we performed the following audit steps:

### **Administrative Fees Review**

- Reconciled expenses reported in LTCP's general ledger to its audited financial statements to ensure that they were properly reported.
- Reconciled excess fees reported in LTCP's audited financial statements to supporting bank statements to ensure that they were properly reported and used to reduce administrative expenses.
- Judgmentally sampled five travel itineraries with the highest dollar amount for each year (15 itineraries, totaling \$36,017, from a universe of [REDACTED] itineraries, totaling [REDACTED]) to ensure that the travel was contractually appropriate and did not exceed the authorized amounts.

### **Cash Management Review**

- Requested and reviewed bank account documentation to verify that LTCP was not commingling funds with other lines of business or programs.
- Obtained and reviewed LTCP's FEDVIP premium transfer spreadsheets and supporting documentation to verify that the correct premiums, refunds, and returned items were calculated and transferred correctly for each FEDVIP carrier.
- Obtained and reviewed LTCP's FEDVIP premium transfer spreadsheets and supporting documentation to verify that fees were correctly calculated and transferred to OPM.
- Verified that LTCP correctly calculated and billed the premiums for FSAFEDS and FLTCIP, and that premiums received for FEDVIP were accurately reported.
- Verified that the transfer of administrative fees and profits to the LTCP corporate account matched supporting documentation.

### **Coordination of Benefits Review**

- Reviewed COB policies and procedures to verify that LTCP is receiving Federal Employees Health Benefits Program (FEHBP) information from the Federal payroll offices and that it is appropriately disseminating that information to FEDVIP carriers.

### **Enrollment Eligibility Review**

- Gained an understanding of the BENEFEDS and LTCP enrollment system by reviewing applicable policies and procedures and meeting with LTCP personnel.
- Reviewed LTCP's policies and procedures for enrollment and judgmentally selected all 180 dental enrollees with more than 10 dependents (from the universe of [REDACTED] dental subscribers) for testing to ensure that only eligible family members were enrolled in the FEDVIP.
- Reviewed LTCP's policies and procedures to remove overage dependents from FEDVIP and selected a random sample of 50 overage dependents using Excel's random number generator and a second judgmental sample of the 20 eldest dependents (from the universe of [REDACTED] dependents age 22 and older) for eligibility testing.
- We reviewed the FEDVIP enrollment records as of March 31, 2016, to determine if any subscriber had more than one spouse covered as a dependent at the same time.

### **Fraud and Abuse Program Review**

- We reviewed LTCP's policies and procedures for internal controls to determine if they were reasonable and appropriate for safeguarding its activities.
- We reviewed LTCP's response to our fraud and abuse questionnaire and reviewed its policies and procedures to ensure that it had a vigorous fraud and abuse program that assesses vulnerabilities and detects and eliminates fraud and abuse.
- We reviewed LTCP's subcontractor(s) that were used to carry out its BENEFEDS responsibilities and ensured that they were properly reported to OPM.

### **Performance Standards Review**

- We reviewed the Contract to determine the required performance standards.

- We reviewed the Quality Assurance Surveillance Plan to determine if LTCP met its performance target values, reported the values accurately, and transferred penalty funds to OPM in a timely manner.

The samples that were selected and reviewed in performing the audit 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.

# III. AUDIT FINDINGS AND RECOMMENDATIONS

## A. ADMINISTRATIVE EXPENSES REVIEW

The results of our review showed that LTCP appropriately charged administrative expenses to BENEFEDS in accordance with the terms of the Contract.

## B. CASH MANAGEMENT REVIEW

The results of our review showed that LTCP correctly calculated, reconciled, maintained, and transferred all funds in accordance with the Contract.

## C. COORDINATION OF BENEFITS REVIEW

The results of our review showed that LTCP had sufficient policies and procedures in place to share COB information between the FEHBP and the FEDVIP.

## D. ENROLLMENT ELIGIBILITY REVIEW

### 1. Ineligible Dependents

### Procedural

LTCP and OPM did not implement sufficient controls for BENEFEDS to ensure that only eligible dependents were enrolled in the FEDVIP.

**BENEFEDS self-certification process allows ineligible dependents to enroll in the FEDVIP.**

In accordance with the Federal Employees Dental and Vision Benefits Enhancement Act of 2004 (H.R.5295), the FEDVIP makes dental and vision benefits available to Federal employees, retirees, and their eligible family members. Eligible family members include an enrollee's spouse and unmarried dependent children under the age of 22 or, if age 22 and older, those that are incapable of self-support due to a disability. LTCP is responsible for enrolling eligible family members in the FEDVIP through its BENEFEDS portal.

During prior FEDVIP audits conducted by the OIG, several carriers informed us that all enrollment and eligibility functions were handled by LTCP using the BENEFEDS portal. Based on this information, we reviewed BENEFEDS policies and procedures for FEDVIP enrollment, and we conducted several audit steps to test dependent eligibility using

BENEFEDS enrollment files. Our review of BENEFEDS policies and procedures for FEDVIP enrollment found that LTCP has controls in place to verify the eligibility of enrollees (federal employees and annuitants) and to properly terminate dependent children at age 22. Contrary to the enrollee verification steps, our reviews of dependent eligibility showed that there are no controls in place to stop ineligible family members from enrolling in the program, including ineligible grandchildren, multiple spouses, and families with a higher number of dependents per enrollee within the FEDVIP compared to the FEHBP.

- **Ineligible Grandchildren** - We identified the two largest family sizes enrolled in the FEDVIP and requested documentation from the FEDVIP and applicable FEHBP carriers to show that the family members were eligible for coverage. From this review, we identified one grandfather who improperly enrolled two of his grandchildren as his own natural children. The mother of one of the children reported that her child was not adopted by her father. The grandfather's Federal agency was involved in investigating this issue and asked that the FEHBP carrier retroactively terminate coverage of two children/grandchildren. Since these ineligible members were still enrolled in the FEDVIP, we forwarded this case to OIG investigations and alerted the carriers to remove the ineligible members.
- **Multiple Spouses** - We identified all enrollees who had more than one spouse participating in the FEDVIP as of March 31, 2016. The results showed two enrollees with dual spouses. Both cases included an enrollee retroactively adding a second spouse back to the original enrollment date of the first spouse, three years earlier. The overlap was caught by BENEFEDS, due to information requested by the OIG audit team, and represented an enrollee retroactively switching members when one or more was ineligible for coverage.
- **More Dependents in FEDVIP vs FEHBP** - We identified all FEDVIP enrollees with 10 or more dependents who also participated in the largest FEHBP plan. We then compared the enrollment between the FEDVIP and the FEHBP to determine if any enrollees had fewer dependents in the FEHBP than the FEDVIP. From this review, we found that 4 out of the 17 FEDVIP subscribers tested had more dependents enrolled in their FEDVIP plan than in the FEHBP. We requested eligibility documentation from the FEDVIP carriers, but none had support since the carriers were not handling the enrollment and eligibility functions. Some of the FEDVIP carriers followed up by issuing letters to the enrollees requesting proof of eligibility for their dependents, but support has not yet been received. Since eligibility requirements for the FEDVIP are more restrictive than the FEHBP (children terminated at age 22 vs 26), we found it concerning that a greater number of

dependents were enrolled in the FEDVIP than the FEHBP for almost a quarter of the enrollees tested.

These dependent eligibility issues occurred, primarily, because OPM did not provide LTCP authority to request eligibility documentation at the time of enrollment within BENEFEDS. Additionally, LTCP did not implement all available and cost effective system edits for BENEFEDS that deter an enrollee from adding ineligible dependents, such as predominantly placing electronic certification language (e.g., insurance fraud warnings) upon enrollment and refining system edits that question enrollment anomalies (e.g., flagging multiple spouses). Instead, enrollees simply self-certify family members with no requirement for the FEDVIP carriers or BENEFEDS to verify dependent eligibility. This lack of responsibility by all parties involved increases the risk of fraud and abuse by not preventing ineligible dependents from enrolling in a Federal program that is funded entirely by Federal employees and annuitants.

Because OPM and BENEFEDS have inadequate controls in place to verify dependent eligibility, the FEDVIP is vulnerable to ineligible family members enrolling in the program with increased costs being charged to Federal employees and annuitants.

### **Recommendation 1**

We recommend that the Contracting Officer require LTCP to include, separately and prominently, the following electronic certifications in the BENEFEDS enrollment portal for FEDVIP enrollees to acknowledge and accept:

- A check box for the enrollee to acknowledge 18 USC § 1001 and the punishable offense for falsifying a Federal document.
- A check box for the enrollee to acknowledge 18 USC § 1347 and the punishable offense for health care insurance fraud.
- A check box explaining that the enrollee is responsible for providing proof of dependent eligibility to the FEDVIP carrier within 60 days of the request.
- A check box for the enrollee to certify that their dependents are eligible for coverage in accordance with 5 USC § 8901 (5).

### **Recommendation 2**

We recommend that the Contracting Officer instruct LTCP to have all FEDVIP subscribers recertify their enrollment information the next time they log into their BENEFEDS account after the certification boxes from Recommendation 1 have been implemented.

### **Recommendation 3**

We recommend that the Contracting Officer:

- Require BENEFEDS to adopt system edits that attempt to capture dependent enrollment anomalies that require an explanation, such as natural children with birthdates too close together (e.g., within one week to seven months), natural children with birthdates too far apart from their parents (e.g., 50 or more years apart), multiple spouses, multiple last names, and multiple addresses.
- Provide BENEFEDS with the authority to request documentation in order to confirm eligibility for any questionable dependents that are identified with its system edits.
- Require BENEFEDS and the FEDVIP carriers to share and maintain dependent eligibility documentation to ensure that all members are eligible for coverage.

### **Recommendation 4**

We recommend that OPM eliminate the self-certification process and implement a verification system to stop ineligible members from participating in the FEDVIP. Proper administration of FEDVIP enrollment should include verification of dependent eligibility by either BENEFEDS or the FEDVIP carriers.

#### **Plan Response:**

*LTCP disagreed with the finding as originally drafted for the following reasons:*

- *“The audit finding is defined too broadly and does not clearly limit the scope of the identified issue to dependent/family member eligibility.”*
- *Constraints contained in the BENEFEDS contract provisions limit LTCPs ability to validate a dependents eligibility.*

*LTCP also does not agree with the multiple spouses issue summary stated in the report and disputes that the multiple spouses were not identified by LTCPs personnel. LTCP stated the multiple spouses were identified by the FEDVIP Carrier Services Team and the issue was corrected prior to the issuance of the draft report and an actual overlapping of coverage did not occur. It is further stated BENEFEDS is reviewing its online web edits to ensure the system will prevent an inconsistency at initial request.*

#### **OIG Comment:**

We agree that the finding needs to be specific to ineligible dependents, as opposed to all members at the time of enrollment, and made that change. LTCP does have controls in place

to verify the eligibility of the Federal employees and annuitants, plus it has controls in place to properly terminate coverage for children turning age 22. As stated in the current finding, the issue is specific regarding ineligible dependents and the fact that no one is verifying the eligibility of family members. As a result, our limited review to help detect and eliminate fraud and abuse related to ineligible dependents gave several examples to show that there is a significant risk to the program that neither OPM nor LTCP have addressed. OPM should proactively attempt to eliminate this risk area by simply allowing LTCP to collect documentation and verify dependent eligibility at the time of enrollment in BENEFEDS.

The OIG disagrees with removing the multiple spouses issue from the report. Although the issue may have been corrected prior to the issuance of the audit report, it was identified during our review and the enrollment record clearly showed the overlap of spouses for vision benefits. We do however acknowledge that BENEFEDS is proactively reviewing its system edits to ensure that the multiple spouse inconsistencies are corrected in the future.

## **E. FRAUD AND ABUSE PROGRAM REVIEW**

### **1. No Fraud and Abuse Program**

### **Procedural**

LTCP does not have a vigorous fraud and abuse program that assesses vulnerabilities and detects and eliminates fraud and abuse, as required by the BENEFEDS solicitation.

In accordance with the minimum requirement for system security under the Requirements Traceability Matrix (Attachment 2) of BENEFEDS Solicitation Number OPM35-12-R-0008, “The Contractor must have a vigorous fraud and abuse program that assesses vulnerabilities and detects and eliminates internal/external fraud and abuse.”

**LTCP does not have a vigorous fraud and abuse program.**

As part of our audit, we held a meeting with LTCP officials and issued a questionnaire related to fraud and abuse in order to obtain an understanding of the policies and procedures in place to assess vulnerabilities and detect and eliminate fraud and abuse for BENEFEDS operations. Through the course of this review, we determined that LTCP does have internal controls and policies and procedures related to ethical conduct and segregation of duties. However, LTCP does not have a vigorous fraud and abuse program or any policies and procedures explicitly tailored to assessing vulnerabilities and detecting or eliminating fraud and abuse. When we identified this weakness within BENEFEDS operations, LTCP reported that it was not aware of the solicitation requirement, and OPM never held the contractor accountable for implementing this program control.

By not having a vigorous fraud and abuse program that assesses vulnerabilities and detects and eliminates fraud and abuse, BENEFEDS enrollment and cash management functions are susceptible to fraud, waste, and abuse that can result in the loss of funds and increased premiums for Federal employees and annuitants.

### **Recommendation 5**

We recommend that LTCP work with the Contracting Officer to formally establish a vigorous fraud and abuse program that is similar to the fraud and abuse requirements of contractors in other OPM programs. Basic controls to help detect and eliminate fraud, waste, and abuse for BENEFEDS operations should include, but not be limited to:

- Policies and procedures that address threats of internal and external fraud and abuse related to BENEFEDS;
- Policies and procedures that require suspected instances of fraud, waste, and abuse (FWA) to be reported timely to the Contracting Officer and the respective carrier, when applicable;
- Provision of annual FWA reports to the Contracting Officer;
- Establishment of an FWA hotline that is accessible to internal and external stakeholders. In establishing such a hotline, the contractor should also establish a system for tracking all allegations received;
- Implementation of BENEFEDS system edits that help reduce or eliminate fraudulent enrollments;
- A compliance program that prohibits retaliation against whistleblowers;
- A formal FWA awareness training, specific to BENEFEDS, that is required of all employees and subcontractors; and,
- An FWA prevention, detection, investigation, and reporting manual, which should include all plans, policies, and procedures specifically involved in the BENEFEDS fraud and abuse program.

### **Plan Response:**

*“LTCP disagrees with the audit finding as currently drafted, because of the broad scope of the report language and its inaccuracy. LTCP has numerous policies and procedures in place to detect and eliminate fraud and abuse”; including:*

- *The financial control processes that underpin the remittance and transfer of FEDVIP premiums*
- *The processes involved in premium refund credits to employees*
- *The processes at the foundation of transmitting Personally Identifiable Information (PII) to and from external sources[.]*

*“Given the many processes and controls LTCP has to inhibit and identify fraud and abuse, we recommend that the OIG change the report language to remove any references to basic internal controls or any implications that there are no general policies or procedures in place.”*

**OIG Comment:**

We disagree with LTCP’s statement that it has numerous policies and procedures in place to detect and eliminate fraud and abuse. The examples given by LTCP are internal controls to safeguard its processes and do not represent a vigorous fraud and abuse program that assesses vulnerabilities and detects and eliminates fraud and abuse. During our audit, we did not obtain or review a single policy or procedure that actively identifies fraud and abuse or had language related to detecting fraud and abuse. The processes and controls that we recommend above are a cost effective solution for detecting and eliminating fraud and abuse. The Contracting Officer should ensure that LTCP has a vigorous fraud and abuse program that assesses vulnerabilities and detects and eliminates fraud and abuse in accordance with the BENEFEDS solicitation.

**F. PERFORMANCE STANDARDS REVIEW**

The results of our review showed that LTCP has policies and procedure in place to meet the performance standards and pay the appropriate penalty for any standards not met.

# APPENDIX



LTC Partners  
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Portsmouth, NH03801-7833

June 26, 2019

[REDACTED], Special Audits Group  
U.S. Office of Personnel Management  
1900 E Street, NW  
Washington, DC 20415-1000

Re: Audit Report Number IG-LT-00-18-040

Dear Mr. [REDACTED]:

We have reviewed the Draft Audit Report Number IG-LT-00-18-040, which was an audit of BENEFEDS as Administered by Long Term Care Partners, LLC (“LTCP”) for contract years 2014 through 2016. Thank you for providing us with an opportunity to respond to the issues identified in the report. We note that the audit concluded correctly that LTCP appropriately charged administrative expenses to BENEFEDS; correctly calculated, reconciled, maintained and transferred all monies in accordance with the Contract; and had sufficient policies and procedures in place to share coordination of benefits information between the Federal Employees Health Benefits Program (FEHBP) and the Federal Employees Dental and Vision Insurance Program (FEDVIP). We appreciate these conclusions. The purpose of this letter is to request changes to Audit Finding D1 and E1, which do not accurately reflect the internal controls, policies, and procedures of LTCP.

### Audit Finding D1: Ineligible Members

The general audit finding pertains to the self-certification process within BENEFEDS. In accordance with the Federal Employees Dental and Vision Benefits Enhancement Act of 2004 (H.R.5295), the FEDVIP makes available dental and vision benefits to Federal employees, retirees, and their eligible family members. Eligible family members include an enrollee's spouse and unmarried dependent children under the age of 22, or if age 22 and older, incapable of self-support due to a disability. The draft audit report states that the “BENEFEDS self-certification process” allows ineligible members to enroll in the FEDVIP.

LTCP disagrees with the audit finding as currently drafted for the following reasons:

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- The audit finding is defined too broadly and does not clearly limit the scope of the identified issue to dependent/family member eligibility. By not clearly identifying the specific issue, the finding leaves an incorrect impression both about the strength of our existing controls to manage subscriber eligibility across the platform as well as how those controls in fact meet the firm's contractual obligations.
- The audit finding states there are no controls in place to limit an ineligible member. We disagree with this statement, because LTCP has extensive controls and supporting processes in place pertaining to eligibility validation. While there are alternative approaches to self-validation, they come with their own risks and shortcomings. For example, while validation to a consolidated census file is a viable alternative to self-certification, there are information risk concerns associated with this approach that would merit extensive review.
- Due to constraints identified within the BENEFEDS contract provisions, LTCP's ability to validate member eligibility is contractually limited.

Although LTCP believes it has complied with its contract, regarding the four recommendations directed to the Contracting Officer, LTCP is committed to strengthening operational controls related to eligibility validation, and is open to discussing the recommended changes with the Contracting Officer to determine what modifications and changes may be required. We recommend that this finding be updated to clarify the shortcoming identified, acknowledge the controls LTCP has in place, and confirm that LTCP has complied with the requirements of its contract.

### **Audit Finding EI: No Fraud and Abuse Program**

The general audit finding pertains to the lack of a formal fraud and abuse program related to BENEFEDS operations, as required by the contract solicitation. In accordance with the Requirements Traceability Matrix, Attachment #2 of BENEFEDS Solicitation Number OPM35-12-R-0008, the contractor is required to have a vigorous fraud and abuse program that assesses vulnerabilities, and detects and eliminates internal and external fraud and abuse for BENEFEDS operations. The draft audit report states that “LTCP does not have a formal fraud and abuse program or any policies and procedures in place to detect and eliminate fraud and abuse in its administration of BENEFEDS.”

LTCP disagrees with the audit finding as currently drafted, because of the broad scope of the report language and its inaccuracy. LTCP has numerous policies and procedures in place to detect and eliminate fraud and abuse. We actively manage and follow procedures to address the risk of financial fraud, illicit access to information, and ineligible access to benefits through various controls, which include, among others:

- The financial control processes that underpin the remittance and transfer of FEDVIP premiums
- The processes involved in premium refund credits to employees
- The processes at the foundation of transmitting Personally Identifiable Information (PII) to and from external sources

Given the many processes and controls LTCP has to inhibit and identify fraud and abuse, we recommend that the OIG change the report language to remove any references to basic internal controls or any

implications that there are no general policies or procedures in place.

Regarding the recommendations outlined in the audit report, LTCP will review the recommendations with the Contracting Officer and assess the overall changes and implementation of each item, in order to further strengthen or formalize the fraud and abuse program.

In the interest of providing context to our response and to educate readers as to the existing operational processes and controls related to the audit findings, we have included supporting documentation as an appendix, which is titled "Response Appendix." The Response Appendix includes trade secret, proprietary, and confidential information that is precluded from disclosure by the Freedom of Information Act, 5 U.S.C. 552(b)(4), as well as the Trade Secrets Act, 18 U.S.C. 1905, and should not be included with the final audit report.

We appreciate the opportunity to respond to the draft audit report, and hope that our responses have provided the information and clarification needed to resolve these concerns.

If you have any questions, or require further information, please contact me at (603) 422-8676 or (gnorris@ltcpartners.com).



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Attachment:

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## **Report Fraud, Waste, and Mismanagement**

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