



U.S. Office of Personnel Management
Office of the Inspector General
Office of Audits

Final Audit Report

**Audit of BENEFEDS as Administered by
Long Term Care Partners, LLC (dba FedPoint) for
Contract Years 2017 through 2019**

**Report Number 1G-FP-00-21-004
December 6, 2021**

Executive Summary

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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 contract number OPM3517C0002 (Contract) 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 (doing business as FedPoint). Our audit included a review of the administrative expenses, cash management, coordination of benefits, enrollment, fraud and abuse program, and performance standards for BENEFEDS operations during contract years (CY) 2017 through 2019. Audit work was completed remotely from our locations in Pennsylvania and West Virginia due to COVID-19 restrictions.



Michael R. Esser
*Assistant Inspector General
for Audits*

What Did We Find?

We found that Long Term Care Partners properly administered BENEFEDS operations from CYs 2017 through 2019. There were no audit findings related to our review of the administrative expenses, cash management, coordination of benefits, enrollment, fraud and abuse program, and performance standards for BENEFEDS operations. As a result, we determined that the costs charged to BENEFEDS and services provided to its users were in accordance with the terms of the Contract and applicable Federal regulations.

Abbreviations

AAS	Annual Accounting Statements
COB	Coordination of Benefits
Contract	Contract Number OPM3517C0002
CY	Contract Year
FEDVIP	Federal Employees Dental and Vision Insurance Program
FLTCIP	Federal Long Term Care Insurance Program
FSAFEDS	Federal Flexible Spending Account Program
FWA	Fraud, Waste, and Abuse
LTCP	Long Term Care Partners, LLC
OIG	Office of the Inspector General
OPM	U.S. Office of Personnel Management

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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), doing business as FedPoint, for contract years (CY) 2017 through 2019. The audit was conducted pursuant to the provisions of contract number OPM3517C0002 (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 millions of Federal employees, annuitants, and their dependents. As part of its mission to manage insurance benefits, OPM oversees the BENEFEDS program, a web-based portal that currently handles enrollment and premium administration services for the Federal Employees Dental and Vision Insurance Program (FEDVIP) and the Federal Long Term Care Insurance Program (FLTCIP), plus payroll allotment services for the Federal Flexible Spending Account Program (FSAFEDS).

BENEFEDS was implemented in 2006. The four major components to BENEFEDS include a 24/7 enrollment website (www.BENEFEDS.com), data transmissions to and from the insurance carriers, a premium administration system, and a customer service system.

LTCP is a wholly owned subsidiary of John Hancock Life and Health Insurance Company. LTCP assumed the responsibility for the development, maintenance, and administration of BENEFEDS necessary to facilitate enrollment activities, payroll deduction processing, and customer service functions to enrollees of the programs through multiple contracts and amendments. The current contract was effective March 16, 2017, and extended through 2022. On June 15, 2020, LTCP announced that its new trade name would be FedPoint. LTCP would still be the legal entity named on its contracts with OPM.

Our previous audit of BENEFEDS as administered by Long Term Care Partners, LLC for CYs 2014 through 2016 (Report Number 1G-LT-00-18-040), dated September 11, 2019, resulted in two findings and five recommendations. All recommendations have been closed.

II. Objectives, Scope, and Methodology

Objectives

The main objective of this audit was to determine whether 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 to determine if:

Administrative Expenses Review

- Overhead and administrative expenses charged to BENEFEDS by LTCP were actual, allocable, reasonable, and allowable.
- LTCP's and OPM's excess administrative fees for FEDVIP operations were recorded properly and used in subsequent years to reduce administrative expenses.
- LTCP's travel expenses were properly authorized and reimbursed.

Cash Management Review

- LTCP's profit allowances for the BENEFEDS programs (including FEDVIP, FSAFEDS, and FLTCIP) were correctly calculated and reconcile to the annual accounting statements AAS) for the scope of audit.
- Premiums collected and disbursed to the FEDVIP carriers, BENEFEDS, and OPM (as reported in LTCP's Premium Funds Transfer Report) reconcile to the amounts reported in the AAS for each year of the scope.
- LTCP accurately calculated and transferred premiums to each FEDVIP carrier.
- LTCP accurately calculated and transferred the administrative fee subsidies to BENEFEDS and OPM.

Coordination of Benefits Review

- LTCP has policies and procedures in place to properly facilitate coordination of benefits (COB) between FEDVIP carriers and health insurance providers.

Enrollment Review

- LTCP is following its new policies and procedures that help stop ineligible dependents from participating in the FEDVIP, which was a deficiency identified during the prior OIG audit of BENEFEDS.
- LTCP is properly administering eligibility and enrollment processes for Uniformed Service family members and retirees, and if any challenges were encountered.

Fraud and Abuse Program Review

- LTCP has reasonable internal controls, policies, and procedures to safeguard its activities and processes.
- LTCP has policies and procedures in place to prevent, detect, and disclose fraud and abuse specific to its administration of BENEFEDS.

Performance Standards Review

- LTCP met its performance standards and if penalties were properly paid when applicable.

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, appropriate evidence to provide a reasonable basis for our audit findings and conclusions based on the audit objectives. We believe that the evidence obtained will provide a reasonable basis for our findings and conclusions to meet our audit objectives.

This performance audit included a review of the administrative expenses, cash management, COB, enrollment, fraud and abuse program, and performance standards for BENEFEDS operations from CYs 2017 through 2019. We began the audit with an entrance conference on May 24, 2021, and completed fieldwork with an exit conference on September 9, 2021. All audit work was completed remotely from our approved locations near our Cranberry Township, Pennsylvania field office.

LTCP was responsible for administering the BENEFEDS portal during the scope of our audit from CY 2017 through 2019. During this period, LTCP reported the following financial results for BENEFEDS operations (columns include totals for FEDVIP, FSAFEDS, and FLTCIP unless otherwise noted):

Contract Year	Net Premium and Fees Collected	Disbursements to FEDVIP Carriers	LTCP and OPM Admin Expenses	LTCP Profit	Change in FEDVIP Cash Balance
2017	\$	\$	\$	\$	\$
2018	\$	\$	\$	\$	\$
2019	\$	\$	\$	\$	\$
Total	\$	\$	\$	\$	\$

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. 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 of accounting records and other auditing procedures as we considered necessary to determine compliance with the Contract and the laws and regulations governing BENEFEDS. 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 complied with the terms of the Contract and applicable Federal regulations, we performed the following audit steps for CYs 2017 through 2019 (unless otherwise noted):

Administrative Expenses Review

- Reconciled administrative expenses reported in LTCP's AAS to its general ledger to ensure that expenses were properly reported.
- Reconciled excess fees reported in LTCP's AAS to its general ledger for FEDVIP operations to ensure that the fees were properly reported and used to reduce administrative expenses.
- Reviewed travel expenses to ensure that the amounts were contractually appropriate and did not exceed the authorized limits.

Cash Management Review

- Reviewed support documentation to ensure that LTCP correctly calculated and billed the premiums for FSAFEDS and FLTCIP.
- Reviewed support documentation to ensure that the premiums received for FEDVIP were accurately reported by LTCP in its AAS.
- Reconciled the amount of premium collected and disbursed to the FEDVIP carriers, as well as administrative fees paid to BENEFEDS and OPM, using LTCP's AAS and the FEDVIP Premium Funds Transfer Report.
- Verified that LTCP accurately calculated and transferred the administrative fee subsidies to OPM and BENEFEDS, and the premiums to FEDVIP carriers, by recalculating and tracing a sample of three month's premiums back to support documentation. We judgmentally selected the sample using the highest month of premiums for each year of

our scope (three months totaling \$ [REDACTED] from a universe of 36 months totaling \$ [REDACTED].

Coordination of Benefits Review

- Reviewed policies and procedures to ensure that LTCP was facilitating COB between health insurance providers and dental/vision insurance providers.

Enrollment Review

- Reviewed the OIG's prior BENEFEDS audit report and OPM's audit resolution letters to determine if LTCP took sufficient corrective action to improve deficiencies related to enrollment.
- Obtained FEDVIP enrollment data for the uniformed services (TRICARE's retired military population for 2019) and identified utilization trends and challenges with enrolling the retired military population.

Fraud and Abuse Program Review

- Reviewed LTCP's policies and procedures for internal controls to determine if they were reasonable and appropriate for safeguarding its activities.
- Reviewed LTCP's response to our FWA questionnaire to ensure that it had a vigorous fraud and abuse program that assesses vulnerabilities and detects/reduces FWA.

Performance Standards Review

- Identified the required performance standards from the Contract, traced LTCP's performance back to supporting documentation, and reviewed any penalties paid to OPM to ensure compliance with the performance guarantees.

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 Results

There were no audit findings or recommendations related to our review of the administrative expenses, cash management, coordination of benefits, enrollment, fraud and abuse program, and performance standards for BENEFEDS operations during CYs 2017 through 2019. As a result, our audit showed that the costs charged to BENEFEDS and services provided to its users were in accordance with the terms of the Contract and Federal regulations.



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