



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

Final Audit Report

**Audit of the Federal Employees'
Group Life Insurance Program as Administered
by the Metropolitan Life Insurance Company
for Fiscal Years 2019 through 2022**

**Report Number 2023-SAG-012
July 17, 2023**

Executive Summary

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Why Did We Conduct the Audit?

The objective of the audit was to determine whether the costs charged to the Federal Employees' Group Life Insurance (FEGLI) Program and services provided to its subscribers were in accordance with the U.S. Office of Personnel Management Contract Number 17000-G (Contract) and applicable Federal regulations.

What Did We Audit?

The Office of the Inspector General has completed a performance audit of the FEGLI Program as administered by the Metropolitan Life Insurance Company (MetLife) for fiscal years (FY) 2019 through 2022. The audit included reviews of MetLife's administrative expenses, cash management, claims processing, performance standards, and service charges for FEGLI operations. Our audit was conducted from our office locations in Cranberry Township, Pennsylvania and Jacksonville, Florida.

What Did We Find?

We found that MetLife properly administered the FEGLI Program for FYs 2019 through 2022. There were no audit findings related to our review of the administrative expenses, cash management, claims processing, performance standards, and service charges. As a result, we determined that the costs charged to the FEGLI Program and services provided to its users were in accordance with the terms of the Contract and applicable Federal regulations.



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for Audits*

Abbreviations

Contract	Contract Number 17000-G
FEGLI	Federal Employees' Group Life Insurance Program
FY	Fiscal Year
LIFAR	Life Insurance Federal Acquisition Regulation
LOCA	Letter of Credit Account
MetLife	Metropolitan Life Insurance Company
OFEGLI	Office of Federal Employees' Group Life Insurance
OPM	U.S. Office of Personnel Management
SAS	Statistical Analysis System

Table of Contents

	Page
Executive Summary	i
Abbreviations	ii
I. Background	1
II. Objectives, Scope, and Methodology	3
III. Audit Results	8
Report Fraud, Waste, and Mismanagement	

I. Background

This report details the results of our audit of the Federal Employees' Group Life Insurance (FEGLI) Program as administered by the Metropolitan Life Insurance Company (MetLife) for fiscal years (FY) 2019 through 2022. The audit was performed by the U.S. Office of Personnel Management's (OPM) Office of the Inspector General, as authorized by The Inspector General Act of 1978, as amended (5 U.S.C. §§ 401-424).

The FEGLI Program is authorized by Chapter 87 of Title 5, United States Code, to provide life and accidental dismemberment insurance benefits to Federal employees, annuitants, and their family members. The program was established on August 29, 1954, through Contract Number 17000-G (Contract) between OPM and MetLife. The FEGLI Program has an evergreen¹ contract that was last renewed and renegotiated in 2012. OPM's Healthcare and Insurance Office has the overall responsibility for administering the program, which includes:

- Receiving all premium payments from participating agencies to the Employees' Life Insurance Fund.
- Depositing FEGLI payments in the Treasury of the United States.
- Authorizing payment of life insurance premiums from the Employees' Life Insurance Fund to MetLife's Office of Federal Employees' Group Life Insurance.
- Determining whether retiring employees and employees receiving workers' compensation benefits are eligible to continue life insurance coverage. For retirement systems other than the Civil Service Retirement System and the Federal Employees Retirement System, OPM bases its determination on certifications by the administrative office of the system involved.
- Publishing regulations, forms, and documents.
- Providing guidance to employing offices.
- Administering the Contract.

Employer agencies are responsible for enrolling, informing, and advising employees of program changes, determining eligibility, maintaining insurance records, withholding premiums from pay, remitting and reporting withholdings to OPM, and certifying salary and insurance coverage upon separation or death.

MetLife's responsibilities under the Contract are carried out by its Office of Federal Employees' Group Life Insurance (OFEGLI), an administrative unit of MetLife established to administer the FEGLI Program. OFEGLI is the contractor that adjudicates claims under the FEGLI Program. OFEGLI's responsibilities include:

¹ An evergreen contract automatically renews on or after the expiration date. The parties involved in the contract agree that it rolls over automatically until one gives the notice to terminate it.

- Processing and paying FEGLI claims.
- Determining whether an insured individual is eligible for a living benefit.
- Determining whether accidental death and dismemberment benefits are payable.
- Determining an employee's eligibility to cancel a waiver of insurance based on satisfactory medical information.
- Processing requests for conversions.

Clause 2109.7001(i) of the Life Insurance Federal Acquisition Regulation (LIFAR) states that MetLife must permit representatives of OPM to audit and examine records and accounts pertaining to the FEGLI Program, at such reasonable times and places as may be designated by OPM. Compliance with the laws and regulations applicable to the FEGLI Program, including establishing and maintaining a system of internal controls, is the responsibility of MetLife's management.

Our previous audit of the FEGLI Program's Operations at MetLife (Report Number 2A-II-00-18-054), dated July 20, 2020, covered FYs 2015 and 2018 with reviews of administrative expenses, cash management, claim processing, performance standards, and service charges. All findings and recommendations from that audit have been satisfactorily resolved.

The initial results of our current audit were discussed with MetLife and OPM during an exit conference on May 11, 2023. A draft report was not issued since findings and recommendations were not identified during this audit.

II. Objectives, Scope, and Methodology

Objectives

The primary objective of the audit was to determine if costs charged to the FEGLI Program and services provided to its subscribers were in accordance with the terms of the Contract and applicable Federal regulations.

Our specific audit objectives for FYs 2019 through 2022 were to determine if:

Administrative Expenses Review

- MetLife's indirect expenses that were charged to the FEGLI Program were allocable and allowable in accordance with the terms of the Contract and applicable regulations. MetLife's general ledger accounts and administrative fees reconcile to the Letter of Credit Account (LOCA) drawdowns, annual financial statements, and end of the year true-ups. MetLife charged employee compensation to the FEGLI Program in compliance with 48 CFR 31.205-6(p)(2).
- MetLife's direct and indirect administrative expenses exceeded the adjusted ceiling cap and if any excess amounts were charged to the program.
- Expenses charged by subcontractors who exceeded the reporting threshold of \$550,000 were accurate and allowable.

Cash Management Review

- The LOCA drawdowns and interest reported by MetLife reconcile to the amounts recorded by OPM with any material variances noted.
- The LOCA drawdowns reconcile to supporting documentation to ensure that the transactions were accurate, and the program was charged appropriately.
- MetLife properly estimated, accounted for, and reported the FEGLI cash reserves in compliance with the applicable laws and regulations.

Claims Processing Review

- The paid claims reported in MetLife's annual financial statements reconcile to the amounts supported by MetLife's claims system.
- The amounts paid to beneficiaries complied with the contractual provisions and regulatory requirements for Accidental Death Benefits, including the insured's Basic Insurance, Option A, and Option B coverage.
- The amounts paid to beneficiaries complied with the contractual provisions and regulatory requirements for Basic Life Insurance Benefits, including the insured's Basic Insurance, Option A, and Option B coverage.
- The amounts paid to beneficiaries complied with the contractual provisions and regulatory requirements for Death Benefits, including the insured's Option C coverage.

- The amounts paid to beneficiaries complied with the contractual provisions and regulatory requirements for Living Benefits, including the insured's Basic Insurance coverage.
- The amounts paid to beneficiaries complied with the contractual provisions and regulatory requirements for Regular Dismemberment Benefits, including the insured's Basic Insurance and Option A coverage.

Performance Standards and Service Charge Review

- The performance standards were met, and if the service charge was appropriately calculated in accordance with the Contract and LIFAR 2115.404-71.

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.

This performance audit included reviews of MetLife's administrative expenses, cash management, claims processing, performance standards, and service charge for FEGLI operations to ensure compliance with the Contract and Federal regulations for FYs 2019 through 2022. Our audit was conducted from our office locations in Cranberry Township, Pennsylvania and Jacksonville, Florida.

In planning and conducting the audit, we obtained an understanding of MetLife'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. Additionally, since our audit would not necessarily disclose all significant matters in the internal control structure, we do not express an opinion on MetLife's system of internal controls taken as a whole.

We also conducted tests of accounting records and other auditing procedures that we considered necessary to determine compliance with the Contract and Federal regulations. With respect to the items not tested, nothing came to our attention that caused us to believe that MetLife had not complied, in all material respects, with those provisions.

In conducting the audit, we relied to varying degrees on computer-generated data provided by MetLife. 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.

For the period covered by our audit, MetLife reported the following revenue, claims paid, expenses, profit, and change in reserves for each year administering the FEGLI Program:

Year	Revenue	Claims Paid	Expenses	Profit	Change in Reserves
2019					
2020					
2021					
2022					
Total					

To determine whether MetLife’s administration of FEGLI complied with the terms of the Contract and applicable regulations, we performed the following steps for FYs 2019 through 2022:

Administrative Expenses Review

- We reviewed MetLife’s indirect cost centers to determine if the costs charged to the FEGLI Program were allocable and allowable under Subpart 31.2 of the Federal Acquisition Regulations, Part 2131 of the LIFAR, and clause 2152.231-70 of the LIFAR.
- We compared MetLife’s general ledger expenses and service charges to its LOCA drawdowns, annual financial statements, and annual administrative cost true-ups to determine if the amounts reconcile.
- We reviewed employee compensation expenses that were charged to the FEGLI Program to verify that the amounts did not exceed the compensation expense limit for government contractors.
- We reviewed MetLife’s direct and indirect administrative expenses to determine if they exceeded the expense ceiling set by OPM for each year.
- We reviewed invoices and payments for subcontractors exceeding \$550,000 to ensure that the costs were accurate and allowable.

Cash Management Review

- We reconciled the LOCA drawdowns and interest reported by MetLife to those recorded by OPM to determine if there were any variances.
- We reviewed a judgmental sample of 40 LOCA drawdowns totaling \$975,002,084 (out of a universe of 1,004 LOCA drawdowns totaling \$14,214,844,223) to verify that the amounts were accurate and supported by documentation. For each FY, we selected the top 10 highest LOCA drawdowns and reviewed all transactions within those drawdowns.
- We reviewed documentation to verify that MetLife was estimating, accounting for, and reporting FEGLI's cash reserves in compliance with applicable regulations.

Claims Processing Review

- We reconciled the claim amounts reported in MetLife's financial statements to supporting documentation to ensure that the reported amounts were accurate.
- We reviewed a random sample of 40 accidental death claims totaling \$3,459,000 (out of a universe of 882 accidental death claims totaling \$70,379,000) to determine if they were accurately processed. Specifically, we randomly selected 10 claims for each FY using the random sample query within our Statistical Analysis System (SAS) software.
- We reviewed a random sample of 40 basic life insurance claims totaling \$1,362,290 (out of a universe of 297,132 basic life insurance claims totaling \$7,940,307,688) to determine if they were accurately processed. Specifically, we randomly selected 10 claims for each FY using the random sample query within SAS.
- We reviewed a random sample of 40 dependent life insurance claims totaling \$581,950 (out of a universe of 22,675 dependent life insurance claims totaling \$323,465,650) to determine if they were accurately processed. Specifically, we randomly selected 10 claims for each FY using the random sample query within SAS.
- We reviewed a random sample of 40 living benefit claims totaling \$2,473,000 (out of a universe of 502 living benefit claims totaling \$32,769,339) to determine if they were accurately processed. Specifically, we randomly selected 10 claims for each FY using the random sample query within SAS.
- We reviewed a random sample of 40 regular dismemberment claims totaling \$1,744,500 (out of a universe of 64 regular dismemberment claims totaling \$2,752,500) to determine if they were accurately processed. Specifically, we randomly selected 10 claims for each FY using the random sample query within SAS.

Performance Standards and Service Charge Review

- We reviewed MetLife's performance standards and service charge each year to ensure that they were properly measured and calculated in accordance with the Contract.

The samples mentioned above, 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

We found that MetLife properly administered the FEGLI Program from FYs 2019 through 2022. There were no audit findings related to our review of the administrative expenses, cash management, claims processing, performance standards, and service charges. As a result, we determined that the costs charged to the FEGLI Program and services provided to its users were in accordance with the terms of the Contract and applicable Federal regulations.



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