



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

Final Audit Report

Subject:

**AUDIT OF THE FEDERAL EMPLOYEES' GROUP
LIFE INSURANCE PROGRAM AS
ADMINISTERED BY THE METROPOLITAN LIFE
INSURANCE COMPANY
FOR CONTRACT YEARS 2009 THROUGH 2012**

Report No. 2A-II-00-13-065

Date: July 9, 2014

--CAUTION--

This audit report has been distributed to Federal officials who are responsible for the administration of the audited program. This audit report may contain proprietary data which is protected by Federal law (18 U.S.C. 1905). Therefore, while this audit report is available under the Freedom of Information Act and made available to the public on the OIG webpage, caution needs to be exercised before releasing the report to the general public as it may contain proprietary information that was redacted from the publicly distributed copy.

AUDIT REPORT

**AUDIT OF THE FEDERAL EMPLOYEES' GROUP LIFE
INSURANCE PROGRAM AS ADMINISTERED BY THE
METROPOLITAN LIFE INSURANCE COMPANY
FOR CONTRACT YEARS 2009 THROUGH 2012**

CONTRACT NUMBER: 17000-G

Report No. 2A-II-00-13-065

Date: July 9, 2014



Michael R. Esser
Assistant Inspector General
for Audits

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EXECUTIVE SUMMARY

**AUDIT OF THE FEDERAL EMPLOYEES' GROUP LIFE
INSURANCE PROGRAM AS ADMINISTERED BY THE
METROPOLITAN LIFE INSURANCE COMPANY
FOR CONTRACT YEARS 2009 THROUGH 2012**

CONTRACT NUMBER: 17000-G

Report No. 2A-II-00-13-065

Date: July 9, 2014

The enclosed audit 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 contract years 2009 through 2012. The primary objective of our audit was to determine whether MetLife's costs charged to the FEGLI Program and services provided to FEGLI subscribers were in accordance with the terms of Contract No. 17000-G, between MetLife and the U.S. Office of Personnel Management (OPM), and applicable federal regulations. The audit identified four findings and questions \$1,210,293 in unallowable charges, including \$43,723 for lost investment income calculated through November 22, 2013, which was the date MetLife returned all questioned costs to the FEGLI Program. The audit also identified one area for program improvement.

We conducted a preliminary survey at MetLife's location in Oriskany, New York, from September 16 to September 20, 2013. Our audit fieldwork was conducted at MetLife's location in Bridgewater, New Jersey, from October 21 to October 25, 2013, and additional audit work was performed at our offices in Washington, D.C. and Cranberry Township, Pennsylvania.

The results of our audit have been summarized below.

CLAIMS REVIEW

The results of our review showed that MetLife had the appropriate policies and procedures in place to process death claims, living benefits, accidental death and dismemberment claims, and overpayment recoveries.

ADMINISTRATIVE EXPENSE REVIEW

- **Excess Funds Not Returned to the FEGLI Program** **\$931,903**

MetLife did not return \$931,903 in excess funds to the FEGLI Program from contract year 2011.

- **Incorrect Expense Allocation Rate** **\$144,667**

MetLife used an incorrect allocation rate to charge indirect administrative expenses to the FEGLI Program in contract year 2009, resulting in a \$144,667 overcharge.

- **Indirect Costs Exceeded 20 Percent Limit** **\$90,000**

MetLife exceeded the limit for indirect costs by \$90,000 in contract year 2012.

CASH MANAGEMENT REVIEW

The results of our review showed that MetLife had sufficient policies and procedures in place to ensure that that FEGLI funds were accurately withdrawn from the Letter of Credit Account, kept separate from MetLife's other lines of business, and properly accounted for under MetLife's capital reserve requirements.

COMPLIANCE REVIEW

The results of our review showed that MetLife has complied with its contract provisions and applicable federal regulations related to fraud and abuse, internal controls, quality assurance, subcontracts, and travel expenses, except as noted in the program improvement area below.

LOST INVESTMENT INCOME ON FINDINGS

- **Lost Investment Income** **\$43,723**

The FEGLI Program is due \$43,723 for lost investment income related to \$1,166,570 in questioned administrative expenses.

PROGRAM IMPROVEMENT AREA

The area included in this section of the report, while not a violation of the FEGLI contract and applicable federal regulations, was, in our opinion, a reportable program weakness

that is in need of corrective action. Consequently, we are including it in this final report in order to assist MetLife in improving its administration of the FEGLI Program.

- **Accounting for Travel Expenses**

Improvement Area

MetLife does not have accounting procedures in place to ensure that travel expenses for lodging, meals, and incidentals charged to the FEGLI Program are reasonable and allowable.

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I. INTRODUCTION AND BACKGROUND

INTRODUCTION

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 contract years 2009 through 2012. The audit was conducted pursuant to the provisions of Contract Number 17000-G; the Life Insurance Federal Acquisition Regulations (LIFAR); the Federal Acquisition Regulations (FAR); and Title 5, Code of Federal Regulations, Chapter 1, Part 870 (5 CFR 870).

The audit was performed by the Office of Personnel Management's (OPM) Office of the Inspector General (OIG), as established by the Inspector General Act of 1978, as amended. We conducted a preliminary survey at MetLife's location in Oriskany, New York, from September 16 to September 20, 2013. Our audit fieldwork was conducted at MetLife's location in Bridgewater, New Jersey, from October 21 to October 25, 2013, and additional audit work was performed at our offices in Washington, D.C. and Cranberry Township, Pennsylvania.

BACKGROUND

The FEGLI Program was created in 1954 by the Federal Employees' Group Life Insurance Act (Public Law 83-598). OPM's Healthcare and Insurance Office (HIO) has overall responsibility for administering the Program, including the publication of program regulations and agency guidelines; and the receipt, payment, and investment of agency withholdings and contributions. The HIO contracts with MetLife to provide life insurance coverage to federal employees, annuitants, and their family members (Contract 17000-G). 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 located in Oriskany, New York, and MetLife provides support activities to OFEGLI through its offices located in Bridgewater, New Jersey and Long Island City, New York. OFEGLI's responsibilities include:

- Processing and paying 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; and
- Processing requests for conversions.

The FEGLI Program had 4,061,000 members enrolled in 2009, 4,179,000 members enrolled in 2010, 4,212,000 members enrolled in 2011, and 4,138,000 members enrolled in 2012. MetLife is required by 48 CFR 2109.7001(i) to 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.

Our last audit was conducted in 2009 and included a review of the FEGLI Program's Operations at MetLife for contract years 2007 and 2008 (Report # 2A-II-00-09-065, dated July 20, 2010). All findings from that audit have been satisfactorily resolved.

II. OBJECTIVES, SCOPE, AND METHODOLOGY

OBJECTIVES

The primary objective of our audit was to determine whether MetLife's costs charged to the FEGLI Program and services provided to FEGLI subscribers were in accordance with the terms of Contract No. 17000-G and federal regulations.

Our specific objectives were as follows:

Claims Review

- To determine if claim payments were made to beneficiaries in compliance with contractual and regulatory requirements.
- To determine if claims information in MetLife's FEGLI Claim Payment System can be traced to supporting documentation.
- To determine if MetLife credited overpayment recoveries to the program.
- To determine if paid claim amounts in MetLife's FEGLI Claim Payment System reconcile to paid benefits reported in the FEGLI Program's annual financial statements.

Administrative Expense Review

- To determine if MetLife's administrative expenses were actual, allocable, reasonable, and allowable in compliance with Subpart 31.2 of the FAR (48 CFR 31) and Part 2132 of the LIFAR (48 CFR 2131).
- To determine if administrative expenses recorded in MetLife's general ledger and the agreed-upon annual service charge amount reconcile to MetLife's Letter of Credit Account (LOCA) drawdowns, annual financial statements, and any annual administrative cost true-up that was credited to OPM through the LOCA.
- To determine if MetLife charged executive compensation to the FEGLI Program in compliance with 48 CFR 31.206-6(p).

Cash Management Review

- To determine if MetLife held program funds on hand independent of its other investments and lines of business.
- To determine if MetLife's daily LOCA drawdowns can be traced to supporting documentation.
- To determine if MetLife is estimating, accounting, and reporting on the FEGLI Program's cash reserves in compliance with federal and state regulations.

Compliance Review

- To determine if MetLife has policies and procedures in place to prevent, detect, and disclose fraud and abuse of FEGLI Program funds.
- To determine if MetLife implemented a system of internal controls in compliance with 48 CFR 2109.7001(h).
- To determine if MetLife implemented a quality assurance program in compliance with 48 CFR 2146.270.

- To determine if MetLife entered into subcontracts for work performed on the FEGLI Program in compliance with 48 CFR 2152.244-70.
- To determine if MetLife's corporate travel policies and procedures are in compliance with 48 CFR 31.205-46.

SCOPE

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 provides a reasonable basis for our findings and conclusions based on the audit objectives.

This performance audit covered MetLife's adherence to its contractual and regulatory requirements for contract years 2009 through 2012. The audit scope included a review of MetLife's claims, administrative expenses, cash management, and compliance with contract provisions and applicable regulations.

For contract years 2009 through 2012, MetLife charged the FEGLI Program \$10.4 billion, which includes \$10.3 billion in life insurance claims, \$46.9 million in expenses, and \$3.8 million in profit (See Schedule A).

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. Based on our testing, we did not identify any significant matters involving MetLife'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 MetLife's system of internal controls taken as a whole.

We also conducted tests to determine whether MetLife had complied with the contract and the laws and regulations governing the FEGLI Program. 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 MetLife 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 MetLife. 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.

METHODOLOGY

To determine whether MetLife's administration of the FEGLI Program was in compliance with the terms of the contract and applicable regulations, the following audit steps were performed:

Claims Review

- We reviewed a sample of 37 accidental dismemberment claims, totaling \$2,080,500, out of a universe of 94 accidental dismemberment claims, totaling \$3,617,500, to determine if the claims were accurately processed. We judgmentally selected all accidental dismemberment claims greater than \$35,000 during contract years 2009 through 2012 for review.
- We reviewed a sample of 43 living benefit claims, totaling \$4,798,067, out of a universe of 319 living benefit claims, totaling \$17,713,346, to determine if the claims were accurately processed. We judgmentally selected all living benefit claims greater than \$90,000 during contract years 2009 through 2012 for review.
- We reviewed a sample of 88 death claims, totaling \$5,511,680, out of a universe of 300,025 death claims, totaling \$10,315,561,266, to determine if the claims were accurately processed. We selected a random sample of 22 death claims for each contract year, 2009 through 2012, for review.
- We reviewed a sample of 20 claim overpayment recoveries, totaling \$2,183,303, out of a universe of 479 claim overpayment recoveries, totaling \$4,495,053, to verify that the amounts were properly credited back to the program. We judgmentally selected the five highest repayment amounts for each contract year, 2009 through 2012, for review.
- We performed a reconciliation of paid claim amounts in MetLife's claims system to paid benefits reported in the FEGLI Program's annual financial statements.

Administrative Expense Review

- We reviewed a sample of 40 general ledger transactions, totaling \$520,532, out of a universe of 2,297 general ledger transactions, totaling \$2,146,979 (direct operational expenses only), to determine if the amounts were actual, allocable, reasonable, and allowable. We judgmentally selected the five highest general ledger transactions for each contract year, 2009 through 2012, for cost centers ML51411 (U.S. Government Customer Service Unit – FEGLI Operations) and ML54907 (OFEGLI Operations).
- 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 the universe of executive compensation expenses, totaling \$58,116, that were charged to the FEGLI Program during contract years 2009 through 2012 to verify

that the amounts did not exceed the compensation expense limit for government contractors.

Cash Management Review

- We held a meeting with MetLife to verify that MetLife held FEGLI Program funds on hand in investment accounts, separately identifiable from its other lines of business.
- We reviewed a sample of 40 LOCA drawdowns, totaling \$460,277,870, out of a universe of 1,028 LOCA drawdowns, totaling \$10,334,542,353, to verify that the amounts were accurate and properly supported. We judgmentally selected the highest drawdown and the next nine consecutive drawdowns from the highest dollar month for each contract year.
- We reviewed documentation to verify that MetLife was estimating, accounting, and reporting on the FEGLI Program's cash reserves in compliance with federal and state regulations.

Compliance Review

- We reviewed MetLife's policies and procedures in place to prevent, detect, and disclose fraud and abuse of FEGLI Program funds.
- We reviewed MetLife's system of internal controls to verify compliance with 48 CFR 2109.7001(h).
- We reviewed MetLife's quality assurance program to verify compliance with 48 CFR 2146.270.
- We reviewed MetLife's subcontracts during contract years 2009 through 2012 to determine if subcontractor expenses exceeded the reporting threshold of 48 CFR 2152.244-70(a).
- We reviewed MetLife's corporate travel policies and procedures to verify compliance with 48 CFR 31.205-46.

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 were representative of the universe as a whole. We used the FEGLI Program contract, the FAR, and the LIFAR to determine the allowability, allocability, and reasonableness of the administrative expenses charged against the contract.

The results of our audit were discussed with MetLife officials throughout the audit. In addition, a draft report, dated February 6, 2014, was provided to MetLife for review and comment. MetLife's response and comments on our draft report were considered in preparing the final report and are included as an Appendix.

III. AUDIT FINDINGS AND RECOMMENDATIONS

A. CLAIMS REVIEW

The results of our review showed that MetLife had the appropriate policies and procedures in place to process death claims, living benefits, accidental death and dismemberment claims, and overpayment recoveries.

B. ADMINISTRATIVE EXPENSE REVIEW

1. Excess Funds Not Returned to the FEGLI Program **\$931,903**

MetLife did not return \$931,903 in excess funds to the FEGLI Program from contract year 2011.

48 CFR 2152.232-70(a) under the LIFAR states that a fixed premium will be made available to MetLife each month based on estimated costs (claims and administrative expenses) for the contract year. At the end of the year, a reconciliation of actual and estimated costs will be required to determine if any amount is still owed to MetLife by OPM, or if MetLife needs to reimburse the FEGLI Program for any excess funds received.

We reviewed MetLife's drawdowns from its LOCA and actual administrative costs charged to the FEGLI Program to determine if any amount was due to either party at the end of each contract year. During our review, we found that MetLife reconciled the actual and estimated costs for contract year 2011 on January 12, 2012, but it did not return \$931,903 in excess funds to the FEGLI Program.

MetLife stated that the funds weren't credited back to the LOCA due to an oversight. Additionally, during our review we found that MetLife did not have written policies and procedures in place to provide guidance and assurance that year-end reconciliations would be completed and that excess funds would be credited to the LOCA.

MetLife agreed with this finding and credited \$931,903 to the LOCA on October 4, 2013. Additionally, MetLife updated its LOCA policies and procedures on October 2, 2013 to include a fiscal year-end reconciliation process for administrative expenses that credits the FEGLI Program for any excess funds remaining at the end of each contract year. We reviewed the updated policies and procedures and consider them sufficient to help MetLife meet its responsibility to return excess funds at the end of the year.

As a result of MetLife not returning the excess funds it identified after completing a year-end reconciliation, the FEGLI Program was overcharged \$931,903 in contract year 2011.

Recommendation 1

We recommend that the contracting officer verify that the \$931,903 credit to the LOCA was returned to the FEGLI Program.

Recommendation 2

We recommend that the contracting officer ensure that MetLife follows its newly implemented LOCA policies and procedures for year-end reconciliations and return any excess funds to the LOCA in a timely manner.

MetLife's Comments:

“MetLife agrees with these recommendations... and will work with the Contracting Officer as appropriate to ensure the recommendations are implemented.”

2. Incorrect Expense Allocation Rate \$144,667

MetLife used an incorrect allocation rate to charge indirect administrative expenses to the FEGLI Program in contract year 2009, resulting in a \$144,667 overcharge.

MetLife's internal policies and procedures for coding invoices in its cost accounting system that are chargeable to the FEGLI Program states that indirect expenses for corporate overhead will be based on a 1.01 percent allocation rate.

To help gain an understanding of how MetLife charged indirect administrative expenses to the FEGLI Program, we issued a questionnaire requesting its policies and procedures for coding invoices. After issuing the questionnaire, MetLife notified us that it identified an error with the 2009 expense allocation rate and issued a memo to OPM on June 25, 2013, seven days after our audit notification letter.

Specifically, MetLife used an allocation rate of 1.1 percent to charge its corporate overhead to the FEGLI Program, instead of the 1.01 percent required by its internal policies and procedures. We reviewed the memo and verified the calculations for the overcharge. MetLife agreed with the finding and credited the amount to the LOCA on July 1, 2013.

As a result of the incorrect expense allocation rate, the FEGLI Program was overcharged \$144,667 in 2009.

Recommendation 3

We recommend that the contracting officer verify that the \$144,667 credit to the LOCA was returned to the FEGLI Program.

Recommendation 4

We recommend that the contracting officer require MetLife to perform an annual review of its expense allocation rate to ensure that it charges the FEGLI Program no more than the allocation rate allowed by its internal policies and procedures.

MetLife's Comments:

“MetLife agrees with these recommendations... and will work with the Contracting Officer as appropriate to ensure the recommendations are implemented.”

3. Indirect Costs Exceeded 20 Percent Limit \$90,000

MetLife exceeded the limit for indirect costs by \$90,000 in contract year 2012.

48 CFR 2152.231-70(b)(2)(ii)(B) under the LIFAR states that each year an administrative expense ceiling is calculated and actual expenses are reimbursed up to that amount. It also states, “Within the administrative expense ceiling is a separately negotiated limit for indirect costs that may be charged against the ceiling for the contract year.”

MetLife’s 2012 audited financial statements for FEGLI operations list a negotiated limit of 20 percent for indirect costs.

We reviewed the 2012 financial statements and recalculated the administrative expense ceiling and limit for indirect costs to determine if MetLife charged the appropriate amounts to the FEGLI Program. Our review showed an allowable administrative expense ceiling of \$10,098,418, of which \$2,019,684 may be indirect costs (20 percent of the base). We found that MetLife charged the FEGLI Program \$2,109,684 for indirect administrative expenses in 2012, which is \$90,000 over the \$2,019,684 limit negotiated between MetLife and OPM.

MetLife stated that this error was due to not adding \$90,000 to its unreimbursable indirect administrative expense account. MetLife agreed with this finding and credited \$90,000 to the LOCA on November 22, 2013.

As a result of exceeding the limit for indirect costs, the FEGLI Program was overcharged \$90,000 for indirect administrative expenses in contract year 2012.

Recommendation 5

We recommend that the contracting officer verify that the \$90,000 credit to the LOCA was returned to the FEGLI Program.

Recommendation 6

We recommend that the contracting officer require MetLife to perform an annual review of its indirect administrative expenses charged to the FEGLI Program to ensure that the total amount does not exceed the limit for indirect costs.

MetLife's Comments:

“MetLife agrees with these recommendations... and will work with the Contracting Officer as appropriate to ensure these recommendations are implemented.”

C. CASH MANAGEMENT REVIEW

The results of our review showed that MetLife had sufficient policies and procedures in place to ensure that FEGLI funds were accurately withdrawn from the LOCA, kept separate from MetLife's other lines of business, and properly accounted for under MetLife's capital reserve requirements.

D. COMPLIANCE REVIEW

The results of our review showed that MetLife has complied with its contract provisions and applicable federal regulations related to fraud and abuse, internal controls, quality assurance, subcontracts, and travel expenses, except as noted in the program improvement area at the end of this report.

E. LOST INVESTMENT INCOME ON FINDINGS

1. Lost Investment Income \$43,723

The FEGLI Program is due \$43,723 for Lost Investment Income (LII) related to the \$1,166,570 in questioned costs as a result of the audit findings.

48 CFR 2152.210-70(d)(1) states, “Investment income lost as a result of unallowable, unallocable, or unreasonable charges against the contract shall be paid from the 1st day of the contract term following the contract term in which the unallowable charge was made and shall end on the...date the amounts are returned to OPM.”

Additionally, 48 CFR 2151.210-70(d)(2) states, “Investment income lost by the Contractor as a result of failure to credit income due under the contract...must be paid from the date...appropriate income was not credited and will end on the...date the amounts are returned to OPM.”

Finally, 48 CFR 2151.210-70(d)(3) states, “The Contractor shall credit to the FEGLI Program income that is due in accordance with this clause. All amounts payable shall bear lost investment income compounded semiannually at the rate established by the

Secretary of the Treasury as provided in section 12 of the Contract Disputes Act of 1978 (Pub. L. 95-563), during the periods specified in paragraphs (d)(1) and (d)(2).”

We computed the LII using the rates specified by the Secretary of Treasury and determined that the FEGLI Program is due \$43,723 for LII related to \$1,166,570 in questioned costs resulting from our audit findings. MetLife agreed with our calculation and credited the amount back to the LOCA on January 7, 2014.

Recommendation 7

We recommend that the contracting officer ensure that the \$43,723 credit to the LOCA by MetLife on January 7, 2014 is returned to the FEGLI Program as credit for LII on audit findings.

MetLife’s Comments:

The draft report did not include LII on audit findings. Therefore, MetLife did not address this finding in their response to the draft report.

F. PROGRAM IMPROVEMENT AREA

The area included in this section of the report, while not a violation of the FEGLI contract and applicable federal regulations, was, in our opinion, a reportable program weakness that is in need of corrective action. Consequently, we are including it in this final report in order to assist MetLife in improving its administration of the FEGLI Program.

1. Accounting for Travel Expenses

Procedural

MetLife does not have accounting procedures in place to ensure that travel expenses for lodging, meals, and incidentals charged to the FEGLI Program are reasonable and allowable.

48 CFR 31.205-46(a)(2) states that “costs incurred for lodging, meals, and incidental expenses...shall be considered to be reasonable and allowable only to the extent that they do not exceed on a daily basis the maximum per diem rates in effect at the time of travel as set forth in the (i) Federal Travel Regulations, prescribed by the General Services Administration, for travel in the contiguous United States”

We reviewed the travel expenses charged to the FEGLI Program to determine if the costs were reasonable and allowable. During our review, MetLife stated that it follows its corporate travel policies and procedures for expensing the cost of lodging, meals, and incidentals to the FEGLI Program. We asked for a copy of MetLife’s corporate travel policy and found that lodging is booked through a travel agency at a discounted corporate rate, and meals and incidentals are reimbursed to employees up to three different amounts (\$60/\$80/\$118) depending on the travel location.

We found that MetLife’s corporate rates for lodging, and its meal and incidental limits, exceed the allowable rates set by the General Services Administration (GSA). Additionally, MetLife’s corporate travel policy does not specify any limitations for travel related to government contracts, and it does not compare or adjust its travel expenses that are charged to the FEGLI Program to ensure that the amounts don’t exceed the allowable GSA per diem rates.

While our review of the travel costs charged to the FEGLI Program during the scope of our audit did not disclose any instances where the GSA per diem rates were exceeded, MetLife’s corporate travel policy allows charges that exceed the maximum per diem rates set by GSA and creates the risk of unreasonable or unallowable travel expenses being charged to the FEGLI Program.

Recommendation 8

We recommend that the contracting officer direct MetLife to implement accounting procedures to ensure that all expenses charged to the FEGLI Program are reasonable and allowable in accordance with 48 CFR 31.2 and the Federal Travel Regulations.

MetLife’s Comments:

“MetLife agrees with this recommendation...and will work with the Contracting Officer as appropriate and ensure that the recommendation is implemented.”

IV. MAJOR CONTRIBUTORS TO THIS REPORT

Special Audits Group

██████████, Auditor-In-Charge

██████████, Auditor

██████████, Auditor

██████████, Group Chief ██████████

██████████ Senior Team Leader

**AUDIT OF THE FEDERAL EMPLOYEES' GROUP LIFE INSURANCE PROGRAM
AS ADMINISTERED BY THE METROPOLITAN LIFE INSURANCE COMPANY
FOR CONTRACT YEARS 2009 THROUGH 2012**

**REPORT NUMBER 2A-II-00-13-065
SCHEDULE OF CONTRACT CHARGES**

CONTRACT CHARGES	2009	2010	2011	2012	TOTAL
1. CLAIMS CHARGES	\$2,456,568,425	\$2,595,623,048	\$2,610,731,261	\$2,683,757,103	\$10,346,679,837
2. EXPENSES	\$11,756,582	\$12,540,141	\$10,525,252	\$12,069,896	\$46,891,871
3. PROFIT	\$949,998	\$950,000	\$965,000	\$985,000	\$3,849,998
TOTAL CONTRACT CHARGES	\$2,469,275,005	\$2,609,113,189	\$2,622,221,513	\$2,696,811,999	\$10,397,421,706

**AUDIT OF THE FEDERAL EMPLOYEES' GROUP LIFE INSURANCE PROGRAM
AS ADMINISTERED BY THE METROPOLITAN LIFE INSURANCE COMPANY
FOR CONTRACT YEARS 2009 THROUGH 2012**

**REPORT NUMBER 2A-II-00-13-065
SCHEDULE OF QUESTIONED COSTS**

QUESTIONED COSTS	2009	2010	2011	2012	TOTAL
A) ADMINISTRATIVE EXPENSES					
1) Excess Funds Not Returned to the FEGLI Program			\$931,903		\$931,903
2) Incorrect Expense Allocation Rate	\$144,667				\$144,667
3) Indirect Costs Exceeded 20 Percent Limit				\$90,000	\$90,000
TOTAL QUESTIONED COSTS	\$144,667	\$0	\$931,903	\$90,000	\$1,166,570

**AUDIT OF THE FEDERAL EMPLOYEES' GROUP LIFE INSURANCE PROGRAM
AS ADMINISTERED BY THE METROPOLITAN LIFE INSURANCE COMPANY
FOR CONTRACT YEARS 2009 THROUGH 2012**

**REPORT NUMBER 2A-II-00-13-065
LOST INVESTMENT INCOME CALCULATION**

FINDING:		QUESTIONED COST					
2011 Excess Funds Not Returned to the FEGLI Program		\$931,903					
LOST INVESTMENT INCOME CALCULATION							
Start Date	End Date	Beginning Principal Balance	Treasury Rate	Calendar Days	Calendar Days per Year	Interest Amount	Ending Principal Balance
1/15/2012	6/30/2012	931,903.00	2.000%	168	366	8,555.18	940,458.18
7/1/2012	12/31/2012	940,458.18	1.750%	184	366	8,273.98	948,732.15
1/1/2013	6/30/2013	948,732.15	1.375%	181	365	6,468.92	955,201.08
7/1/2013	10/4/2013	955,201.08	1.750%	96	365	4,396.54	959,597.62
FINDING:		QUESTIONED COST					
2009 Incorrect Expense Allocation Rate		\$144,667					
LOST INVESTMENT INCOME CALCULATION							
Start Date	End Date	Beginning Principal Balance	Treasury Rate	Calendar Days	Calendar Days per Year	Interest Amount	Ending Principal Balance
10/1/2009	12/31/2009	144,667.00	4.875%	92	365	1,777.62	146,444.62
1/1/2010	6/30/2010	146,444.62	3.250%	181	365	2,360.17	148,804.79
7/1/2010	12/31/2010	148,804.79	3.125%	184	365	2,344.18	151,148.97
1/1/2011	6/30/2011	151,148.97	2.625%	181	365	1,967.52	153,116.50
7/1/2011	12/31/2011	153,116.50	2.500%	184	365	1,929.69	155,046.18
1/1/2012	6/30/2012	155,046.18	2.000%	182	366	1,541.99	156,588.17
7/1/2012	12/31/2012	156,588.17	1.750%	184	366	1,377.63	157,965.81
1/1/2013	6/30/2013	157,965.81	1.375%	181	365	1,077.09	159,042.90
7/1/2013	7/1/2013	159,042.90	1.750%	1	365	7.63	159,050.52
FINDING:		QUESTIONED COST					
2012 Indirect Costs Exceeded 20 Percent Limit		\$90,000					
LOST INVESTMENT INCOME CALCULATION							
Start Date	End Date	Beginning Principal Balance	Treasury Rate	Calendar Days	Calendar Days per Year	Interest Amount	Ending Principal Balance
10/1/2012	12/31/2012	90,000.00	1.750%	92	366	395.90	90,395.90
1/1/2013	6/30/2013	90,395.90	1.375%	181	365	616.36	91,012.27
7/1/2013	11/22/2013	91,012.27	1.750%	145	365	632.72	91,644.99
FINDING:		LOST INVESTMENT INCOME					
2011 Excess Funds Not Returned to the FEGLI Program		\$27,694.62					
2009 Incorrect Expense Allocation Rate		\$14,383.52					
2012 Indirect Costs Exceeded 20 Percent Limit		\$1,644.99					
TOTAL (ROUNDED)		\$43,723					

Appendix

MetLife

Metropolitan Life Insurance Company
U.S. Government Customer Unit
National Accounts
501 US Highway 22, PO Box 6891
Bridgewater, NJ 08807-0891



March 3, 2014

[REDACTED]
Group Chief
Special Audits Group
US Office of Personnel Management
Office of the Inspector General
1900 E. Street NW, Room 6400
Washington, DC 20415

Re: FEGLI Draft audit Report No. 2A-II-13-065

Dear [REDACTED]:

As you requested, below please find MetLife's comments and action plan in response to the recommendations contained in the FEGLI draft audit report dated February 6, 2014.

▷ 2011 Excess Funds Not Returned to the FEGLI Program

MetLife agrees with these recommendations (*i.e.*, recommendation #1 and recommendation #2) and will work with the Contracting Officer as appropriate to ensure the recommendations are implemented.

▷ Incorrect Expense Allocation Rate in 2009

MetLife agrees with these recommendations (*i.e.*, recommendation #3 and recommendation #4) and will work with the Contracting Officer as appropriate to ensure the recommendations are implemented.

▷ 2012 Indirect Costs Exceeded 20 percent Limit

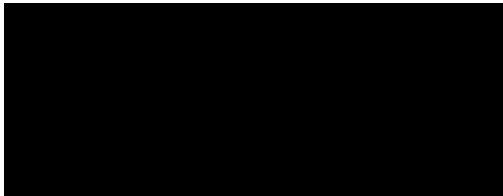
MetLife agrees with these recommendations (*i.e.*, recommendation #5 and recommendation #6) and will work with the Contracting Officer as appropriate to ensure these recommendations are implemented.

▷ Accounting for Travel Expenses

MetLife agrees with this recommendation (*i.e.*, recommendation #7) and will work with the Contracting Officer as appropriate and ensure that the recommendation is implemented.

We appreciate the work of you and your team on the audit. Please do not hesitate to contact me if you have any questions.

Very truly yours,



Copy to: [redacted] (MetLife); [redacted] (MetLife); [redacted]
[redacted] MetLife)