



U.S. Department of Agriculture
Office of Inspector General
Financial and IT Operations
Audit Report

AGREED-UPON PROCEDURES:
RETIREMENT, HEALTH AND LIFE
INSURANCE, AND HEADCOUNT
INFORMATION SUBMITTED TO OPM



Report No.
11401-11-FM
December 2001



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington D.C. 20250



DATE: December 13, 2001

REPLY TO
ATTN OF: 11401-11-FM

SUBJECT: Agreed-Upon Procedures: Retirement, Health and Life Insurance, and
Headcount Information Submitted to OPM

TO: Honorable Patrick E. McFarland
Inspector General
Office of Personnel Management

This report presents the results of the agreed-upon procedures performed on the retirement, health and life insurance withholdings/contributions and supplemental semiannual headcount reports submitted to the Office of Personnel Management by the U.S. Department of Agriculture's Office of the Chief Financial Officer/National Finance Center (OCFO/NFC) for fiscal year 2001.

The data submitted by OCFO/NFC included information for the following agencies listed in appendix A of the Office of Management and Budget (OMB) Bulletin 01-02, "Audit Requirements for Federal Financial Statements:" U.S. Department of Agriculture, U.S. Department of Commerce, U.S. Department of Housing and Urban Development, U.S. Department of Justice, U.S. Department of the Treasury, Agency for International Development, Federal Emergency Management Agency, and Small Business Administration. This review was performed as required by the OMB Bulletin and in accordance with the standards established by the American Institute of Certified Public Accountants.

If you have any questions or desire further information, please contact me or have a member of your staff call Richard D. Long, Assistant Inspector General for Audit, at (202) 720-6945.

/s/

JOYCE N. FLEISCHMAN
Acting Inspector General

cc:
Kathleen M. McGettigan, Chief Financial Officer, OPM
William E. Flynn III, Associate Director of Retirement and Insurance, OPM

EXECUTIVE SUMMARY

U.S. DEPARTMENT OF AGRICULTURE AGREED-UPON PROCEDURES: RETIREMENT, HEALTH AND LIFE INSURANCE, AND HEADCOUNT INFORMATION SUBMITTED TO OPM AUDIT REPORT NO. 11401-11-FM

PURPOSE

Our audit objective was to perform the agreed-upon procedures detailed in the Office of Management and Budget (OMB) Bulletin 01-02, "Audit Requirements for Federal Financial Statements," in order to assist the Office of Personnel Management (OPM) in assessing the reasonableness of retirement, health and life insurance withholdings/contributions and employee headcount data submitted by the U.S. Department of Agriculture's Office of the Chief Financial Officer/National Finance Center (OCFO/NFC). The information submitted by OCFO/NFC included data for the following agencies listed in appendix A of the OMB Bulletin: U.S. Department of Agriculture (USDA), U.S. Department of Commerce, U.S. Department of Housing and Urban Development, U.S. Department of Justice, U.S. Department of the Treasury, Agency for International Development, Federal Emergency Management Agency, and Small Business Administration.

RESULTS IN BRIEF

Our review disclosed that NFC was not reconciling the payroll information with the USDA general ledger in the Foundation Financial Information System (FFIS) and retirement, health benefits, and life insurance withholdings and contributions were posting to the incorrect general ledger account. No other exceptions were noted.

KEY RECOMMENDATIONS

Reconcile the payroll information to the FFIS general ledger and correct the general ledger posting of retirement health benefits, and life insurance.

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REPORT OF THE OFFICE OF INSPECTOR GENERAL

TO: Honorable Patrick E. McFarland
Inspector General
U.S. Office of Personnel Management

We have performed the procedures described in exhibit A, which were agreed to by the Inspector General, Chief Financial Officer, and the Associate Director for Retirement and Insurance of the U.S. Office of Personnel Management (OPM), solely to assist with respect to the employee withholdings and employer contributions reported by the U.S. Department of Agriculture's (USDA) Office of the Chief Financial Officer/National Finance Center (OCFO/NFC) on the Report of Withholdings and Contributions for Health Benefits, Life Insurance, and Retirement for the payroll periods ending December 30, 2000, March 10, 2001, and August 25, 2001, respectively, and Semiannual Headcount Report as of August 25, 2001. The reports submitted by OCFO/NFC included information for the following agencies listed in appendix A of the Office of Management and Budget Bulletin 01-02, "Audit Requirements for Federal Financial Statements:" USDA, U.S. Department of Commerce, U.S. Department of Housing and Urban Development, U.S. Department of Justice, U.S. Department of the Treasury, Agency for International Development, Federal Emergency Management Agency, and Small Business Administration.

This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Inspector General, Chief Financial Officer, and the Associate Director for Retirement and Insurance of OPM. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and associated results are detailed in exhibit A. We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the withholdings and contributions for health benefits, life insurance, and retirement, and employee headcount reported by OCFO/NFC. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the Inspector General, Chief Financial Officer, and the Associate Director for Retirement and Insurance of OPM and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

/s/

JOYCE N. FLEISHCHMAN
Acting Inspector General

December 13, 2001

EXHIBIT A – PROCEDURES PERFORMED AND RESULTS

1. Performed the following procedures.
 - a. Footed the payroll data file that contains the payroll information associated with three Standard Form (SF) 2812s for the payroll periods ending December 30, 2000, March 10, 2001, and August 25, 2001, respectively.
 - b. Traced employee withholding information shown on the payroll data files footed in step 1.a. for retirement, health, and life insurance benefits to the related amounts shown on the three SF 2812s for the corresponding periods.
 - c. Obtained support for differences between amounts shown on the payroll files and the amounts shown on the three SF 2812s selected.
 - d. Traced reconciling items to supporting documentation and verified agreement.
 - e. Footed the three SF 2812s selected.

Results

No exceptions were noted.

2. For the three pay periods selected, ending December 30, 2000, March 10, 2001, and August 25, 2001, respectively, reviewed the agency's reconciliation's of payroll transactions to its general ledger expense and cash disbursement account.

Also, for Retirement and Insurance Transfer System data, we identified any postings to any standards general ledger account other than account 6400, "Benefits Programs Expense."

Results

No unsupported or unsubstantiated reconciliation differences (i.e., gross rather than net), that exceeded 5 percent of the total payroll, were noted.

However, OCFO/NFC was not reconciling the payroll information to the official USDA general ledger in the Foundation Financial Information System, although they were still reconciling to the legacy accounting system, Central Accounting

System. In addition, we noted that OCFO/NFC was not posting Retirement and Insurance Transfer System data to standard general ledger account 6400. Rather, the data was being posted to account 6100, "Benefits Program Expense." OCFO/NFC made manual adjustments to correct the incorrect posting for the fiscal year 2001.

3. Randomly select 25 individuals from the applicable payroll information who are covered by retirement, health benefits, basic life insurance and at least one life insurance option (A, B, or C). Obtain the Official Personnel File (OPF) for each individual selected, and perform the following procedures:
 - a. Verified that the base salary used for the payroll purposes and upon which withholdings and contributions generally are based agrees with approved amounts reflected on the employees' Personnel Action Form, SF 50.
 - b. Verified that amounts withheld and contributed for participants in the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS) are correct based upon the official withholdings and contribution rates required by law.
 - c. Verified that employee withholdings and agency contributions agree with the official subscription rates issued by OPM for the plan and option elected by the employees, as documented by a Health Benefits Registration Form (SF-2809) in the employees' OPF.
 - d. Verified that Basic Life Insurance was elected by the employees, as documented by a Life Insurance Election Form (SF-2817), in his/her OPF and that withholdings and contributions are correct.
 - e. Verified that Optional Life Insurance coverage was elected, as documented by an SF-2817 in the employees' OPF, and that withholdings are correct. Randomly select additional individuals as necessary so that ten individuals were selected for each Life Insurance Option (i.e. Options A, B, and C).

Results

No exceptions were noted.

4. Randomly select a total of 10 employees, who have no health benefits withholdings, from the payroll information corresponding to the three SF 2812s submissions selected for testing above. Verified from a review of the OPF that the employees had not elected health benefit coverage.

Results

No exceptions were noted.

5. Randomly select a total of 10 employees, who had no life insurance coverage, from the payroll information corresponding to the three SF 2812s submissions selected for testing above. Verified from a review of the OPF that the employees had not elected life insurance coverage.

Results

No exceptions were noted.

6. Recalculated the headcount reflected on the Semiannual Headcount Report dated August 25, 2001, as follows:
 - a. Obtained existing payroll information supporting the selected Supplemental Semiannual Headcount report.
 - b. Recalculated the headcount reflected on the Supplemental Semiannual Headcount report.
 - c. Compared the results of payroll information from step 6a with the calculated headcount from step 6b to the information shown on the Supplemental Semiannual Headcount report.

Results

No differences (i.e., gross rather than net), greater than 2 percent, were noted.

7. Calculated employer and employee contributions for retirement, health benefits, and life insurance as follows:
 - a. Calculated retirement withholdings and contributions for the pay period ending August 25, 2001.
 - Multiplied the CSRS and FERS payroll base by the withholdings and employer contributions rates required by law.
 - Compared the calculated totals with related amounts shown on the SF 2812.
 - b. Calculated employee withholdings and employer contributions for the pay period ending August 25, 2001, as follows:

- Multiplied the number of employees enrolled in each health benefit plan and plan option by the employee withholdings and employer contributions for the plan and option.
 - Summed the totals in step above and compared the result with the health insurance withholding and contribution amounts shown on the SF 2812.
- c. Calculated the basic life insurance employee withholdings and employer contributions for the three pay periods selected as follows:
- Had OCFO/NFC personnel performed a payroll system query to determine the total number of employees with Basic Life Insurance Program coverage and the aggregate annual basic pay for all employees with Basic Life Insurance Program coverage.
 - For employee withholdings, added the product of 2,000 times the number of employees with basic coverage to the total basic pay for all employees selected. Divided this total by 1,000 and multiplied by \$0.155.
 - Compared the result in the step above to the withholding for basic life coverage reported on the SF 2812.
 - For agency contributions, divided the results of the step above by two. This approximates employer contributions, which are one-half of the employee withholdings. Compared this result to the amount reported on the SF 2812.
- d. Attempted to calculate the Option A and Option C coverage withholdings for the three pay periods selected as follows:
- Multiplied the number of employees in each age group times the appropriate rate Option A or Option C, in accordance with the rates for age groups provided in the FEGLI Description and Certificate Handbook.

Results

Our tests performed for steps 7a, 7b, and 7c disclosed no differences (i.e., gross rather than net) greater than 5 percent. We were unable to perform step 7d as OCFO/NFC could not provide the number of employees, by age group, who elected options A and C.