



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.
11401-14-FM
November 2002



UNITED STATES DEPARTMENT OF AGRICULTURE



OFFICE OF INSPECTOR GENERAL

Washington D.C. 20250

DATE: November 15, 2002

REPLY TO

ATTN OF: 11401-14-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 (OPM) by the U.S. Department of Agriculture's (USDA) Office of the Chief Financial Officer/National Finance Center (OCFO/NFC) for fiscal year 2002.

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, as amended by OPM, "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. Except as noted in the report, 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. 11401-14-FM

PURPOSE

Our audit objective was to perform the agreed-upon procedures detailed in the Office of Management and Budget (OMB) Bulletin 01-02, as amended by OPM, "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 (USDA) 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: 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

We had a scope limitation on two agreed upon procedures. We were unable to perform steps 6a and 6c, as OCFO/NFC could not reproduce the OPM 1523 reports for pay periods 6 and 13, 2002 (the Supplemental Semiannual Headcount Report is only produced twice a year and is the only available source for this data). We also were unable to perform step 6d, as OCFO/NFC could not provide the number of employees, by age group, who elected Options A, B and C Life Insurance. No other exceptions were noted.

KEY RECOMMENDATIONS

There were no recommendations.

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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 February 23, 2002, April 6, 2002, and July 13, 2002, respectively, and Semiannual Headcount Report as of February 23, 2002. 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.

We had a scope limitation on two agreed upon procedures. We were unable to perform steps 6a and 6c, as OCFO/NFC could not reproduce the OPM 1523 reports for pay periods 6 and 13, 2002 (the Supplemental Semiannual Headcount Report is only produced twice a year and is the only available source for this data). We also were unable to perform step 6d, as OCFO/NFC could not provide the number of employees, by age group, who elected Options A, B and C Life Insurance.

Except as noted above, 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.

JOYCE N. FLEISHCHMAN
Acting Inspector General

November 7, 2002

EXHIBIT A – PROCEDURES PERFORMED AND RESULTS

1. Compared the Retirement and Insurance Transfer System (RITS) submission data with payroll information by performing the following procedures:
 - a. Recalculated the mathematical accuracy of the payroll information that associated with three Standard Form (SF) 2812s for the payroll periods ending February 23, 2002, April 6, 2002, and July 13, 2002.
 - b. Recalculated the mathematical accuracy of each RITS submission for the payroll information selected above.
 - c. Compared the employee withholding information shown on the payroll information obtained for Retirement, Health Benefits, and Life Insurance (as adjusted for reconciling items) to the related amounts shown on the RITS submission for the corresponding period.

Results

No differences were over one percent of the total reported of the Retirement, Health Benefits, and Life Insurance.

2. a. Randomly selected 25 individuals from the applicable payroll information who were covered by Retirement, Health Benefits, Basic Life Insurance, and at least one life insurance optional coverage (Option A, B, or C).
 - b. Obtained the required documentation from the employee's Official Personnel Files (OPF) for each individual selected.
 - c. Compared date of transaction with date on the certified copy of the Health Benefit Registration Form (SF 2809) for the individual selected.
 - d. Compared 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).
 - e. Compared the retirement plan code on the employees' SF 50 to the plan code used in the payroll system.
 - f. Calculated the retirement amount to be withheld and contributed for the plan code from the employees' SF 50, based upon the official withholding and contribution rates required by law. Compared to actual amounts withheld and contributed.

- g. Compared the employee withholdings and agency contributions for Health Benefits 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' OPFs.
- h. Confirmed that Basic Life Insurance was elected by the employees, as documented by a Life Insurance Election Form (SF 2817), in their OPFs and that withholdings and contributions are correct.
- i. Calculated the employee withholding and agency contribution amounts for Basic Life Insurance using the following:
- For employee withholdings: Rounded the employee's annual base salary to the nearest thousand dollars and added \$2,000. Divided this total by 1,000 and multiplied by \$0.155.
 - For agency contributions: Divided the employee withholdings calculated above by two.
 - Compared to actual amounts withheld and contributed.
- j. Compared the Optional Life Insurance coverage elected as documented by a SF 2817 in the employees' OPFs with optional coverage documented in the payroll system.
- k. Calculated the withholding amounts for optional life insurance (Option A, B and C) for selected individuals using the following:
- For Option A: Determined the employee's age group using the age groups provided for Option A in the FEGLI Program Booklet. The withholding amount is the rate listed in the FEGLI Program Booklet for that age group. Compared to amount withheld.
 - For Option B: Inspected the SF 2817 to determine the number of multiples chosen for Option B. Determine the employee's age group using the age groups provided for Option B in the FEGLI Program Booklet. Rounded the employee's annual rate of basic pay up to the next 1,000, divided by 1,000, and multiplied by the rate for the age group. Multiplied this amount by the number of multiples chosen. Compared to amount withheld.
 - For Option C: Inspected the SF 2817 to determine the number of multiples chosen for Option C. Determined the employee's age group using the age groups provided for Option C in the FEGLI Program Booklet. Multiplied the rate for the age group by the number of multiples chosen. Compared to amount withheld.

Results

The personnel office could not provide one Health Benefits Registration Form (SF 2809) and two Life Insurance Election Forms (SF 2817) for three individuals who were eligible for those benefits. We relied on the SF 50 form for those individuals.

No other exceptions were noted.

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

Results

No exceptions were noted.

4. Randomly selected a total of 10 employees, who had no Life Insurance withholdings, from the payroll information corresponding to the three SF 2812 submissions selected for testing above. Verified from a review of the OPFs that the employees had not elected Basic Life Insurance coverage.

Results

The personnel office could not provide the SF 2812 for one individual that was eligible for Life Insurance. We relied on the SF 50 for this individual.

No exceptions were noted.

5. Recalculated the headcount reflected on the Semiannual Headcount Report dated February 23, 2002, 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 5a with the calculated headcount from step 5b 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.

6. 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 February 23, 2002 (information for pay periods ending July 13 and April 6 was not available).
 - Multiplied the CSRS and FERS payroll bases 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 three pay periods selected as follows:
 - Multiplied the number of employees enrolled in each Health Benefits 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 Benefit withholding and contribution amounts shown on the SF 2812.
 - c. Calculated the Basic Life Insurance employee withholdings and employer contributions for the pay period ending February 23, 2002, 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 Life Insurance 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 Insurance 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, Option B, 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, Option B, and Option C, in accordance with the rates for age groups provided in the FEGLI Description and Certificate Handbook.

Results

Our tests performed for steps 6a, 6b, and 6c disclosed that no differences (i.e., gross rather than net) were greater than 5 percent. We were unable to perform steps 6a and 6c for pay periods 6 and 13, as the OCFO/NFC could not provide the information required. (The Supplemental Semiannual Headcount Report to OPM is used for this calculation and is only produced twice a year.) We were unable to perform step 6d as OCFO/NFC could not provide the number of employees, by age group, who elected Options A, B and C Life Insurance.

Informational copies of this report have been distributed to:

Agency Liaison Officer

General Accounting Office (1)

Office of Management and Budget (1)

Office of the Chief Financial Officer

Director, Planning and Accountability Division (1)