



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.
11401-19-FM
October 2003



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington D.C. 20250



NOV - 3 2003

The Honorable Patrick E. McFarland
Inspector General
Office of Personnel Management
Theodore Roosevelt Federal Building
1900 E Street NW., Room 6400
Washington, D.C. 20415-0001

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

Dear Mr. McFarland:

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 (USDA) Office of the Chief Financial Officer/National Finance Center (OCFO/NFC) for fiscal year 2003.

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": 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 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 at (202) 720-8001, or have a member of your staff call Mr. Richard D. Long, Assistant Inspector General for Audit, at (202) 720-6945.

Sincerely,

Phyllis K. Fong
Inspector General

cc:

Clarence C. Crawford, Chief Financial Officer, OPM
Sidney Conley, Associate Director for Retirement Services Program, 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. 11401-19-FM

PURPOSE

Our objective was to perform the agreed-upon procedures detailed in the Office of Management and Budget (OMB) Bulletin 01-02, as amended by the Office of Personnel Management (OPM), "Audit Requirements for Federal Financial Statements," in order to assist the 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,¹ and Small Business Administration.

RESULTS IN BRIEF

We found that two agencies were unable to locate the official personnel files (OPF) for two employees. We also had a scope limitation on two agreed-upon procedures. As noted in prior years we were only able to perform steps 6a and 6c for pay period 3 because OCFO/NFC could not reproduce the OPM 1523 reports for pay periods 1 and 5 (the Supplemental Semiannual Headcount Report is only produced twice a year and is the only available source for this data). We were unable to perform step 6d because OCFO/NFC could not provide the number of employees, by age group, who elected Options A, B, and C Life Insurance.

KEY RECOMMENDATIONS

Agencies should provide adequate safeguards for their employees' OPFs to avoid loss or theft of the OPFs that contain employees' personal and confidential information.

¹ Now an agency of the Department of Homeland Security.

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UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington D.C. 20250



REPORT OF THE OFFICE OF INSPECTOR GENERAL

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

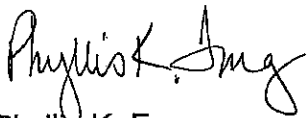
We have performed the procedures described in exhibit A, which were agreed to by the Inspector General, Chief Financial Officer, and the Associate Director for Retirement and Insurance of the U.S. Office of Personnel Management (OPM), solely to assist with respect to the employee withholdings and employer 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 January 25, 2003, February 22, 2003, and March 22, 2003, respectively, and the Semiannual Headcount Report as of February 22, 2003. 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 found that two agencies were unable to locate the official personnel files (OPFs) for two of their employees. We also had a scope limitation on two agreed-upon procedures. We were unable to perform steps 6a and 6c (see exhibit A) for pay period 3 because OCFO/NFC could not reproduce the OPM 1523 reports for pay periods 1 and 5 (the Supplemental Semiannual Headcount Report is only produced twice a year and is the only available source for this data). We were unable to perform step 6d because OCFO/NFC could not provide the number of employees, by age group, who elected Options A, B, and C Life Insurance.

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 in exhibit A.

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.



Phyllis K. Fong
Inspector General

September 30, 2003

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. Obtained the payroll information associated with three Standard Forms (SF) 2812's for the payroll periods ending January 25, 2003, February 22, 2003, and March 22, 2003, and calculated the amounts shown in the RITS submission.
 - 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 (Options A, B, or C).
 - b. Obtained the required documentation from the employee's OPFs 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 employee's 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 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.
- 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 \$0.1500.
 - 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 (Options 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. Determined 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

Our review disclosed that the personnel officers for:

- One agency did not provide the updated Health Benefit Registration Form (SF-2809's) from one employee's OPFs or report from Employee Express for any Health Benefit transactions for this employee.
- One agency did not provide SF-50's for eight employees. Responsible agency personnel advised that hardcopies of SF-50's were not printed during the first 10 pay periods because the NFC would be processing the retroactive pay increase with the payroll processing of pay period 10, 2003.
- Two agencies did not provide updated Life Insurance Election Forms (SF-2817) for three employees.

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

One agency could not locate the OPF of one selected employee.

No other 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

One agency could not locate the OPF of one selected employee.

No other exceptions were noted.

5. Recalculated the headcount reflected on the Semiannual Headcount Report dated February 22, 2003, 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. Attempted to calculate employer and employee contributions for retirement, health benefits, and life insurance as follows.
 - a. Attempted to calculate retirement withholdings and contributions for the three pay periods selected as follows:
 - Multiplied the Civil Service Retirement System and Federal Employees Retirement System payroll bases by the withholdings and employer contributions rates.
 - Compared the calculated totals with related amounts shown on the SF-2812.
 - b. Calculated employee withholdings and employer contributions for three pay periods as follows:
 - Summed the totals of the employee withholdings and employer contributions for the plan and option.
 - Compared the result with the Health Benefit withholding and contribution amounts shown on the SF-2812.
 - c. Attempted to calculate the Basic Life Insurance employee withholdings and employer contributions for the three pay periods selected as follows.
 - Requested OCFO/NFC personnel perform 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 \$0.1500.
 - 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:
- Attempted to multiply 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 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 period 3 because OCFO/NFC could not reproduce the OPM 1523 reports for pay periods 1 and 5 (the Supplemental Semiannual Headcount Report is only produced twice a year and is the only available source for this data). We were unable to perform step 6d because 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)

OIG Headquarters
Director, AFD (2)
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