



U.S. Department of Agriculture



Office of Inspector General
Financial & IT Operations

Audit Report

**Agreed-Upon Procedures: Retirement, Health
Benefits, And Life Insurance
Withholdings/Contributions And Supplemental
Semiannual Headcount Report Submitted To The
Office Of Personnel Management (OPM)**

**Report No. 11401-21-FM
September 2004**



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington D.C. 20250



SEP 30 2004

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

Subject: Agreed-Upon Procedures: Retirement, Health Benefits, and Life Insurance
Withholdings/Contributions and Supplemental Semiannual Headcount Report
Submitted to the U.S. Office of Personnel Management (OPM)

Dear Mr. McFarland:

This report presents the results of the Agreed-Upon Procedures (AUP) performed on the subject information processed by the U.S. Department of Agriculture's Office of the Chief Financial Officer/National Finance Center for fiscal year 2004.

Our review 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 Justice, and U.S. Department of the Treasury. We also applied the AUPs to the Department of Homeland Security.

This review was performed as required by OMB and, except for the scope limitation discussed in exhibit A, in accordance with the Statements of Standards for Attestation Engagements established by the American Institute of Certified Public Accountants.

If you have any questions, please contact me at (202) 720-6945.

Sincerely,

for ROBERT W. YOUNG
Assistant Inspector General
for Audit

cc:

Clarence C. Crawford, Chief Financial Officer, OPM

Executive Summary

Agreed-Upon Procedures: Retirement, Health Benefits, and Life Insurance Withholdings/Contributions and Supplemental Semiannual Headcount Report Submitted to the Office of Personnel Management (OPM) Audit Report No. 11401-21-FM

Results in Brief This report presents the results of the Agreed-Upon Procedures (AUP) performed on the retirement, health benefits, and life insurance withholdings/contributions and supplemental semiannual headcount reports submitted to the U.S. 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 2004.¹

Our objective was to perform the AUPs detailed in the Office of Management and Budget (OMB) Bulletin 01-02, "Audit Requirements for Federal Financial Statements," in order to assist OPM in assessing the reasonableness of retirement, health, and life insurance withholdings/contributions and employee data submitted by the USDA OCFO/NFC for the following agencies listed in OMB Bulletin 01-02, Appendix A: USDA, U.S. Department of Commerce, U.S. Department of Justice, and U.S. Department of the Treasury. We also applied the AUPs to the Department of Homeland Security.²

Our engagement disclosed that the 5 Departments could not locate a total of 53 personnel documents for 21 employees. We also noted that one life insurance election form did not match the life insurance policy information in the payroll system.

When verifying amounts reported on the Standard Form 2812, "Report of Withholdings and Contributions for Health Benefits, Life Insurance, and Retirement," we noted differences between the amounts reported and recalculated for Health Benefits. The differences are discussed in exhibit A.

In addition, we had a scope limitation on the retirement withholdings and contributions (AUP step 6a). We were only able to perform step 6a for the

¹ We selected our samples from Payroll Period (PP) Nos. 22, 03, and 08 ending November 15, 2003, February 21, 2004, and May 1, 2004, respectively, and the OPM 1523, "Supplemental Semiannual Headcount Report," as of February 21, 2004.

² In April 2004, OPM issued revisions (draft) to the instructions for the AUPs, which required the AUPs to be applied to each entity consisting of 30,000 employees serviced by the payroll service provider. For OCFO/NFC, that included five entities. In July 2004, OMB further revised its guidance to state that the AUPs shall be applied separately (1) for each entity designated as subject to the Chief Financial Officer (CFO) Act in Appendix A; (2) the Department of Homeland Security; and (3) each entity not designated as subject to the CFO Act that has 30,000 or more employees. The July 2004 revised guidance added three additional entities to our engagement. Because of the time constraints critical to completing three additional entities, we received a waiver from OPM to allow us to omit them from our review.

payroll period ending February 21, 2004. The OPM 1523 is, by definition, only prepared semiannually.

We are making no recommendations in this AUP report.

Abbreviations Used in This Report

AUP	Agreed-Upon Procedures
CFO	Chief Financial Officer
FEGLI	Federal Employees' Group Life Insurance
IG	Inspector General
NFC	National Finance Center
OCFO	Office of the Chief Financial Officer
OMB	Office of Management and Budget
OPF	Official Personnel Files
OPM	Office of Personnel Management
PP	Payroll Period
RITS	Retirement and Insurance Transfer System
SF	Standard Form
USDA	U.S. Department of Agriculture

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Exhibit A – Procedures Performed and Results3



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 (IG) and Chief Financial Officer (CFO) 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 Standard Form (SF) 2812, "Report of Withholdings and Contributions for Health Benefits, Life Insurance, and Retirement," for the payroll periods (PP) ending November 15, 2003, February 21, 2004, and May 1, 2004, respectively, and OPM 1543, "Supplemental Semiannual Headcount Report" as of February 21, 2004. The reports submitted by OCFO/NFC included information for the following entities listed in Appendix A of the Office of Management and Budget Bulletin (OMB) 01-02, "Audit Requirements for Federal Financial Statements:" USDA, U.S. Department of Commerce, U.S. Department of Justice, and the U.S. Department of the Treasury. We also performed the Agreed-Upon Procedures (AUP) for the Department of Homeland Security.³

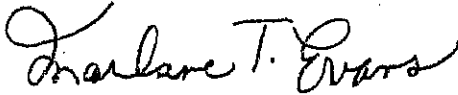
Except as described in exhibit A, the engagement to apply the AUPs was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the IG and the CFO of OPM. Consequently, we make no representations regarding the sufficiency of the procedures described either for the purpose for which this report has been requested or for any other purpose.

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 the Headcount Reports prepared by OCFO/NFC. Accordingly,

³ In April 2004, OPM issued revisions (draft) to the instructions for the AUPs, which required the AUPs to be applied to each entity consisting of 30,000 employees serviced by the payroll service provider. For OCFO/NFC, that included five entities. In July 2004, OMB further revised its guidance to state that the AUPs shall be applied separately (1) for each entity designated as subject to the CFO Act in appendix A; (2) the Department of Homeland Security; and (3) each entity not designated as subject to the CFO Act that has 30,000 or more employees. The July 2004 revised guidance added three additional entities to our engagement. Because of the time constraints critical to completing three additional entities, we received a waiver from OPM to allow us to omit them from our review.

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 IG and CFO 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.



for ROBERT W. YOUNG
Assistant Inspector General
for Audit

September 24, 2004

cc:
Clarence C. Crawford, Chief Financial Officer, OPM

Exhibit A – Procedures Performed and Results

Exhibit A – Page 1 of 6

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 SF-2812s, “Report of Withholdings and Contributions for Health Benefits by Enrollment Code,” for PP Nos. 22, 03 and 08 ending November 15, 2003, February 21, 2004, and May 1, 2004, respectively.
 - 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 1 percent of the totals 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) from each of the 5 entities reviewed.
 - 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 SF-2809, “Health Benefit Election Form,” or with the date on the report from Employee Express showing a transaction change for the individual selected.
 - d. Compared the base salary used for the payroll purposes, and upon which withholdings and contributions generally are based, with approved amounts reflected on the employee’s, SF-50, “Personnel Action.”
 - e. Compared the retirement plan code on the employee’s 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 employee's 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 employee, as documented by a SF-2809, in the employee's OPF or Employee Express.
- h. Confirmed that Basic Life Insurance was elected by the employee, as documented by a SF-2817, "Life Insurance Election."
- 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 \$0.150.
 - 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 employee's OPF 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 Federal Employees' Group Life Insurance (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

We identified that one SF-2817 did not match the life insurance policy information in the payroll system.

In addition, personnel offices were unable to provide us with the following documents:

Department	Personnel Document	PP No.	No. of Documents Not Provided
U.S. Department of Agriculture	SF-50	22	1
U.S. Department of Justice	SF-2809	N/A	1
U.S. Department of Commerce	SF-2809	N/A	2
U.S. Department of Commerce	SF-50	22	1
U.S. Department of the Treasury	SF-2809	N/A	1
U.S. Department of the Treasury	SF-50	08	1
Department of Homeland Security.	SF-2809	N/A	4
Department of Homeland Security	SF-50	22, 03, 08	42

No other exceptions were noted.

3. Randomly selected a total of 10 employees from each of the 5 Departments, who had no Health Benefit withholdings from the payroll information corresponding to the 3 SF-2812 submissions selected for testing. Verified from a review of the OPF that the employee had not elected Health Benefit coverage.

Results

No exceptions were noted.

4. Randomly selected a total of 10 employees from each of the 5 Departments, who had no Life Insurance withholdings from the payroll information corresponding to the 3 SF-2812 submissions selected for testing. Verified from a review of the OPF that the employee had not elected Basic Life Insurance coverage.

Results

No exceptions were noted.

5. Recalculated the headcount reflected on the OPM 1523, "Supplemental Semiannual Headcount Report," dated February 21, 2004, as follows:
 - a. Obtained existing payroll information supporting the OPM 1523 selected for review.
 - b. Recalculated the headcount reflected on the OPM 1523.
 - c. Compared the results of payroll information from step 5a with the calculated headcount from step 5b to the information shown on the OPM 1523.

Results

No differences greater than 2 percent were noted between the recalculated headcount and the enrollment numbers reported on the OPM 1523, Supplemental Semiannual Headcount Report.

6. Calculated employer and employee contributions for Retirement, Health Benefits, and Life Insurance.
 - a. Attempted to calculate retirement withholdings and contributions as follows.
 - Multiplied the Civil Service Retirement System and the Federal Employees Retirement System 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 Health Benefits 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 product totals calculated 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 as follows.
- Requested that 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 annual basic pay for all employees selected. Divided this total by 1,000 and multiplied by \$0.150.
 - Compared the result of the above step to the withholdings for Basic Life Insurance coverage reported on the SF-2812.
 - For agency contributions, divided the results of the above step by two. This approximates employer contributions, which are 1/2 of the employee withholdings. Compared this result to the amount reported on the SF-2812.
- d. Calculated the Option A, Option B, and Option C coverage withholdings as follows.
- Divided the payroll reports into Option A, Option B, and Option C insurance and into the age groups shown in the FEGLI Program Booklet. Multiplied the number of employees in each age group times the appropriate rate for Option A in accordance with the rates for age groups provided in the FEGLI Program Booklet for the Option A calculations.
 - Rounded the employee's annual rate of basic pay up to the next 1,000, divided by 1,000, multiplied by the Option B rate for the age group, multiplied this by the number of multiples: (Annual rate of basic pay rounded up/1,000 x age rate x multiples) for the Option B calculations.
 - Multiplied the Option C rate for the age group by the number of multiples chosen for each employee, for the Option C calculations.

Results

Our tests performed for step 6a disclosed that no differences were over the acceptable tolerance of 5 percent during PP No. 03. However, we were only able to perform step 6a for PP No. 03, ending February 21, 2004. OCFO/NFC does not produce the OPM 1523 for PP Nos. 22 and 08 because, by definition, the report is only prepared semiannually.

Our tests performed for step 6b disclosed a difference of over 7.5 percent. OCFO/NFC officials stated that the difference was due to an adjustment processed during PP 22. No differences were over the acceptable tolerance of 5 percent during PP Nos. 03 and 08.

No differences greater than 5 percent were revealed between the calculated estimates and the amounts reported on the SF-2812 for both basic life insurance withholdings and contributions.

No differences greater than 2 percent were revealed between the amounts reported on the SF-2812 and our calculations for optional life insurance withholdings.