



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. 11401-23-FM
October 2005



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington D.C. 20250



October 21, 2005

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 2005.

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": Department of Agriculture, Department of Commerce, Department of Justice, Department of Treasury, Department of Homeland Security, Department of Housing and Urban Development, Agency for International Development, and Small Business Administration.

This review was performed as required by OMB and 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,

/s/ Tracy LaPoint (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. 11401-23-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 2005.¹

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: Department of Agriculture, Department of Commerce, Department of Justice, Department of Treasury, Department of Homeland Security, Department of Housing and Urban Development, Agency for International Development, and Small Business Administration.

Our review disclosed that the information provided by the Departments was not supported and/or reconciled for 37 of the 600 documents sampled. We also noted where the Departments could not or did not always locate personnel documents for the sampled employees. Details are provided in exhibit A.

¹ We selected our samples from Payroll Period (PP) Nos. 01, 03, and 06 ending January 22, 2005, February 19, 2005, and April 2, 2005, respectively, and the OPM 1523, "Supplemental Semiannual Headcount Report," as of February 19, 2005.

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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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 (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 January 22, 2005, February 19, 2005, and April 2, 2005, respectively, and OPM 1543, "Supplemental Semiannual Headcount Report" as of February 19, 2005. 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:" Department of Agriculture, Department of Commerce, Department of Justice, Department of Treasury, Department of Homeland Security, Department of Housing and Urban Development, Agency for International Development, and Small Business Administration.

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. The results of the engagement 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 the headcount reports prepared 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 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.

/s/ Tracy LaPoint (for)

ROBERT W. YOUNG
Assistant Inspector General
for Audit

October 21, 2005

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

Exhibit A – Procedures Performed and Results

Exhibit A – Page 1 of 7

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. 01, 03, and 06 ending January 22, 2005, February 19, 2005, and April 12, 2005, 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.

Report all differences greater than 1 percent.

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 8 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.

Results

The Small Business Administration was unable to provide the most recent version of the SF-2809 for one sample item. No other exceptions were noted.

- 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.”

Results

We noted that the base salary shown on the SF-50 did not agree with the base salary used for payroll purposes for two sample items selected from the Small Business Administration. No other exceptions were noted.

- e. Compared the retirement plan code on the employee's SF-50 to the plan code used in the payroll system.

Results

No exceptions were noted.

- 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.

Results

We noted that the retirement amount to be withheld and contributed for the plan code from the employee's SF-50 did not reconcile with the official withholding and contribution rates required by law for 10, 2 and 2 sample items for the Department of Homeland Security, Small Business Administration and the Agency for International Development, respectively. No other exceptions were noted.

- 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.

Results

We noted that the health benefits rate issued by OPM, did not reconcile with the information documented on the SF-2809 for one sample item at the Department of Justice. No other exceptions were noted.

- h. Confirmed that basic life insurance was elected by the employee, as documented by a SF-2817, "Life Insurance Election."

Results

We noted that the basic life insurance elected by one employee at the Department of Treasury, as documented by a SF-2817, "Life Insurance Election," did not reconcile with the information in the payroll system. No other exceptions were noted.

- 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.

Results

We noted that the basic life insurance that should have been withheld and contributed was not supported by the actual amounts recorded in the payroll system for 10 and 1 sample items at the Department of Homeland Security and Department of Treasury, respectively. No other exceptions were noted.

- 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.

Results

We noted that the optional life insurance code on the SF-2817 did not agree with the code recorded in the payroll system for 1 sample item at the Department of Treasury. (This exception is also reported under the results of AUP Sub step No. 2. k.). No other exceptions were noted.

- 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 noted that the calculated amounts did not reconcile with the information obtained from the payroll system for 3, 1, 1 and 1 sampled items at the Small Business Administration, Department of Homeland Security, Department of Justice and Department of Treasury, respectively. No other exceptions were noted.

In addition, personnel offices did not to provide us with the following documents:

(Sub step-2. b.)

Department	Personnel Document	No. of Documents Not Provided
Department of Agriculture	SF-2817	2
Department of the Treasury	SF-2809	3
Department of the Treasury	SF-2817	2
Department of Justice	SF-50	1
Department of Justice	SF-2809	1
Department of Justice	SF-2817	2
Department of Homeland Security.	SF-50	1
Department of Homeland Security	SF-2817	2
Agency for International Development	SF-2809	2
Agency for International Development	SF-2817	2
Department of Housing and Urban Development	SF-50	2
Department of Housing and Urban Development	SF-2809	2
Department of Housing and Urban Development	SF-2817	3

3. Randomly selected a total of 10 employees from each of the 8 Departments, who had no health benefits 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 benefits coverage.

Results

The Department of Homeland Security did not respond to our request for one sample item. No other exceptions were noted.

4. Randomly selected a total of 10 employees from each of the 8 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

The following Departments did not provide the requested documentation. No exceptions were noted.

Department	Personnel Document	No. of Documents
Department of Homeland Security	SF-2817	2
Department of Housing and Urban Development	SF-2817	1
Department of Treasury	SF-2817	1

5. Recalculated the headcount reflected on the OPM 1523, “Supplemental Semiannual Headcount Report,” dated February 19, 2005, 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.

Report any differences greater than 2 percent.

Results

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

6. Calculated employer and employee contributions for retirement, health benefits, and life insurance.
 - a. Calculated 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.

Report any differences greater than 5 percent.

Results

There were no differences greater than 5 percent for retirement withholdings and employer contributions.

- 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.

Report any differences greater than 5 percent.

Results

No differences greater than 5 percent were revealed between the calculated estimates and the amounts reported on the SF-2812 for health benefit withholding and contributions.

- 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.

Report any differences greater than 5 percent.

Results

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.

- d. Calculated the Option A, and Option C coverage withholdings as follows.
- Divided the payroll reports into Option A 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 and Option C calculations.

Report any differences greater than 2 percent.

Results

No differences greater than 2 percent were revealed between the calculated estimates and the amounts reported on the SF-2812 for Option A and Option C life insurance withholdings and contributions.