

**INDEPENDENT ACCOUNTANT'S REPORT ON  
APPLYING AGREED-UPON PROCEDURES FOR THE U.S. DEPARTMENT OF LABOR'S  
RETIREMENT, HEALTH BENEFITS, AND LIFE INSURANCE  
WITHHOLDINGS/CONTRIBUTIONS AND THE MARCH 31, 2003 SUPPLEMENTAL  
SEMIANNUAL HEADCOUNT REPORT SUBMITTED TO THE  
OFFICE OF PERSONNEL MANAGEMENT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2003**

**R. Navarro & Associates, Inc.**  
Certified Public Accountants

Report Number: 22-04-004-13-001

Date Issued: NOV 21 2003

U.S. Department of Labor

Office of Inspector General  
Washington, D.C. 20210



NOV 21 2003

MEMORANDUM FOR: SAMUEL T. MOK  
Chief Financial Officer

PATRICK PIZZELLA  
Assistant Secretary, Administration and Management

FROM: *for* *Janine Wagner*  
ELLIOT P. LEWIS  
Assistant Inspector General  
for Audit

SUBJECT: Report on the Agreed-Upon Procedures for Retirement,  
Health Benefits and Life Insurance Withholdings/Contributions and  
Semiannual Headcount  
Report No. 22-04-004-13-001

Attached is the subject Agreed-Upon Procedures report. The Office of Inspector General contracted with the independent certified public accounting firm of R. Navarro & Associates, Inc., CPAs (RNA) to perform the agreed-up procedures. The contract required that this report be prepared in accordance with OMB Bulletin 01-02, Appendix 1.

We reviewed RNA's report and related documentation and inquired of its representatives. However, RNA is responsible for the attached agreed-upon procedures and the conclusions expressed in the report. Our review disclosed no instances where RNA did not comply, in all material respects, with auditing standards generally accepted in the United States of America (GAAS), Government Auditing Standards (GAS), and Office of Management and Budget audit requirements.

If you have any questions, please contact Michael McFadden, Office of Accountability Audits, on (202) 693-5144.

Attachment

*Working for America's Workforce*

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## ACRONYMS

APO	Agency Payroll Office
CFO	Chief Financial Officer
CSRS	Civil Service Retirement System
DOL	Department of Labor
DOLARS	Department of Labor Accounting and Related Systems
EE	Employee Express
FEHB	Federal Employee Health Benefits
FERS	Federal Employee Retirement System
GAO	General Accounting Office
IDEA	Interactive Data Extraction & Analysis
OA	Office of Audit
OCFO	Office of Chief Financial Officer
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPF	Official Personnel File
OPM	Office of Personnel Management
PP/ PT	PeoplePower/ PeopleTime
RITS	Retirement and Insurance Transfer System
SGL	Standard General Ledger

## EXECUTIVE SUMMARY

We performed the procedures specified in OMB Bulletin 01-02, *Audit Requirements for Federal Financial Statements, Agreed-Upon Procedures, Appendix I-1*, to assist the U.S. Office of Personnel Management (OPM) in assessing the reasonableness of retirement, health benefits, and life insurance withholdings/contributions, as well as enrollment information submitted via the Supplemental Semiannual Headcount Report.

This report includes the agreed-upon procedures and the results from applying those procedures for retirement, health benefits, and life insurance withholdings/contributions, and employee headcount information submitted to OPM.

The agreed-upon procedures included U.S. Department of Labor personnel and payroll information for the semi-annual period ended March 31, 2003. Agreed-upon procedures generally comprised comparative and analytical functions. As required by the agreed-upon procedures, we used a random sample selection methodology.

Variances larger than the allowable threshold were present in AUP steps 2, 5, and 6.

Our procedures were performed in accordance with attestation standards established by the American Institute of Certified Public Accountants



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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures described in OMB Bulletin 01-02, *Audit Requirements for Federal Financial Statements, Agreed-Upon Procedures, Appendix I-1*, which were agreed to by the Inspector General, the Chief Financial Officer, and the Associate Director for Retirement and Insurance Service of the U.S. Office of Personnel Management (OPM), solely to assist OPM with respect to the reasonableness of employment withholdings and employer contributions reported on the Report of Withholdings and Contributions for Health Benefits, Life Insurance, and Retirement for the payroll periods ended November 16, 2002, January 11, 2003, and February 22, 2003; and the Supplemental Semiannual Headcount Report as of February 22, 2003. The U.S. Department of Labor's management is responsible for the employment withholdings and employer contributions reported on the Report of Withholdings and Contributions for Health Benefits, Life Insurance, and Retirement for the payroll periods ended November 16, 2002, January 11, 2003, and February 22, 2003; and the Supplemental Semiannual Headcount Report as of February 22, 2003. This engagement to apply agreed-upon procedures was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Inspector General, the Chief Financial Officer, and the Associate Director for Retirement and Insurance of OPM. Consequently, we make no representation 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 agreed-upon procedures and related results of procedures are included in the attached AGREED-UPON PROCEDURES AND RESULTS.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the withholding and contributions of Health Benefits, Life Insurance, and Retirement and the employee Headcount Report of the U.S. Department of Labor. 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 information and use of the Inspector General, the Chief Financial Officer, and the Associate Director for Retirement and Insurance of OPM and is not intended to be and should not be used by anyone other than these specified parties. This report 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.

*R. Navarro & Associates, Inc.*

October 22, 2003

Cc: Clarence C. Crawford, Chief Financial Officer, Office of Personnel Management  
Kathleen M. McGettigan, Deputy Associate Director, Center for Retirement & Insurance Services Program, Office of Personnel Management

**AGREED-UPON PROCEDURES AND RESULTS**

<b>Step</b>	<b>Agreed-Upon Procedures Performed</b>	<b>Results of Procedures</b>
1a	Foot the payroll register or payroll data file that contains the payroll information.	We footed, without exception, the payroll information.
1b	Foot the RITS submission selected.	We footed, without exception, the payroll information from the RITS submissions
1c	Trace employee withholding information shown on the footed payroll information for retirement, health, and life insurance benefits (as adjusted for reconciling items) to the related amounts shown on the RITS submission for the corresponding period. Report any differences greater than 1%. Obtain and report explanations for those differences above the threshold.	We traced the footed payroll withholding to the corresponding amounts on RITS submissions selected for the AUP. There are no differences greater than 1%, therefore no explanations were required.
2a	Randomly select a total of 25 individuals who were on the payroll system for all three of the RITS submissions selected for testing that also meet the criteria set forth in <i>OMB Bulletin 01-02, Appendix 1-1, Agreed-Upon Procedures</i> .	We used the PP/PT database provided and extracted the three selected pay periods using IDEA software. We then used IDEA to select a random sample of 25 employees from the three pay periods selected and verified that the selected sample met the criteria in <i>OMB Bulletin 01-02, Appendix 1-1, Agreed-Upon Procedures</i> .
2b	Obtain the following documents, either in electronic or hard copy format, from the OPFs for each individual selected in step 2.a. <ul style="list-style-type: none"> <li>• all Notifications of Personnel Actions (SF-50) covering the pay periods in the RITS submissions chosen;</li> <li>• the Health Benefits Registration Form (SF—2809) covering the pay periods in the RITS submission chosen; and</li> <li>• the Life Insurance Election Form (SF-2817) covering the pay periods in the RITS submission chosen.</li> </ul>	All documents listed in <i>OMB Bulletin 01-02, Appendix 1-1, Agreed-Upon Procedures</i> , step 2.b. for the selected individuals were obtained from the OPFs. No exceptions were found.
2c	Request a report from Employee Express for any Health Benefits transactions in that system for the individuals selected in step 2.a. Compare the date of the transaction with the date on the certified copy of the SF-2809 requested in step 2.b. Confirm that the health benefits information to be used in the step 2.g. covers the pay periods in the RITS submissions chosen.	All necessary Employee Express (EE) files were viewed. All applicable transaction dates matched those on the certified copies of the SF-2809s, except Sample 22, whose EE date (1/13/02) did not match their SF-2809 date (6/2/91). All of the health benefits information to be used in the step 2.g. covers the pay periods in the RITS submissions chosen.



<i>Step</i>	<i>Agreed-Upon Procedures Performed</i>	<i>Results of Procedures</i>
2d	Verify that the base salary used for payroll purposes agrees with the base salary reflected on the employee's SF-50. Report any differences.	We verified, without exception, that the base salary shown on the payroll register agrees with the approved base salary reflected on the employee's Personnel Action, SF-50.
2e	For Retirement, compare the plan code on the employees' SF-50 to the plan code used in the payroll system. Report any differences.	We verified, without exception that the retirement plan code on the employees' SF-50 agrees to the plan code used in the payroll system
2f	Calculate 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. Compare to actual amounts withheld and contributed. Report any differences.	We found that the actual retirement withholdings agreed to the calculated amounts, using criteria provided by OPM, however, CSRS contributions did not agree to the calculated amounts, using criteria provided by OPM. Ten employees had CSRS contribution differences. (See Exhibit A)
2g	For health benefits, verify that the employee withholdings and agency contributions agree with the official subscription rates issued by OPM for the plan and option elected, as documented by form SF 2809 in the employees OPF or through Employee Express. Report any differences.	We verified, with 1 exception, that the employee withholdings and agency contributions agree with the official subscription rates issued by OPM for the plan and option elected, as documented by form SF 2809 in the employees OPF or through Employee Express. Employee made an election for GEHA 314 and they were erroneously given MD-IPA. However, once the error was determined, the employee chose to retain MD-IPA and the personnel action records were never updated.
2h	For life insurance, verify that Basic Life Insurance was elected by the employees, as documented by a SF 2817 in the employees' OPF. Report any differences	We verified, without exception, that Basic Life Insurance coverage was elected by the employees.
2i	Calculate the withholding and contribution amounts for basic life insurance using the following: For <u>employee withholdings</u> : Round the employee's annual base salary to the nearest thousand dollars and add \$2,000. Divide this total by 1,000 and multiply by \$0.150 (for APOs with biweekly pay periods). For <u>agency contributions</u> : Divide the employee withholdings calculated above by 2. Compare to actual amounts withheld and contributed. Report any differences.	Using the revised rate of \$0.15 provided by OPM, we found that actual Basic Life Insurance contributions and withholdings agreed to the calculated amounts



<i>Step</i>	<i>Agreed-Upon Procedures Performed</i>	<i>Results of Procedures</i>
2j	For Life Insurance, compare the optional coverage elected as documented by an SF-2817 in the employees' OPF with optional coverage documented in the payroll system. Report any differences.	We verified, with one exception, that the optional coverage elected, as documented by an SF-2817 in the employees' OPF, agrees with optional coverage documented in the payroll system.  The SF-2817 (FEGLI) for Sample 17 had no place to elect multiples, yet their PP/PT information indicates they have elected 5 multiples.
2k	Calculate the withholding amounts for the optional life insurance coverage using the following: For <u>Option A</u> : Determine 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. Compare to amount withheld. Report any differences. For <u>Option B</u> : Inspect 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. Round the employee's annual rate of basic pay up to the next 1,000, and multiply by the rate for the age group. Multiply this amount by the number of multiples chosen. Compare to amounts withheld. Report any differences. For <u>Option C</u> : Inspect the SF-2817 to determine the number of multiples chosen for Option C. Determine the employee's age group using the age groups provided for Option C in the FEGLI Program Booklet. Multiply the rate for the age group by the number of multiples chosen. Compare to amount withheld. Report any differences.	We verified, without exception, that Optional Life Insurance withholdings agree to the amounts calculated using the criteria provided by OPM.
3	Randomly select a total of 10 employees who have no Health Benefits from the three pay periods selected for testing.  Verify that the employees did not elect Health Benefits coverage.  Report any exceptions.	We verified, without exception, that Health Benefits were not elected by the selected employees.

<i>Step</i>	<i>Agreed-Upon Procedures Performed</i>	<i>Results of Procedures</i>
4	Randomly select a total of 10 employees who have no Life Insurance withholdings from the three pay periods selected for testing. Verify that the employees either waived or canceled Life Insurance coverage. Report any exceptions.	We verified, without exception, that the selected employees did not elect Life Insurance coverage.
5a	Obtain existing payroll information supporting the selected Supplemental Semiannual Headcount report.	The APO provided payroll information supporting the Semiannual Headcount report.
5b	Calculate the headcount by counting the number of employees (using a computer audit routine) on the payroll data file for the period.	We calculated 16,303 employees in the payroll data file using a computer audit routine.
5c	Compare the results of payroll information from step 5a with the calculated headcount from step 5b to the information shown on the Semiannual Headcount Report.	We compared the results of the payroll information (steps 5a/5b) with the Semiannual Headcount Report.
5d	Report any differences greater than 2 percent between the agency's Semiannual Headcount Report and the payroll information from step 5a and the calculated headcount from step 5b.	There is a difference between the calculated headcount and the Semiannual Headcount Report of 440 employees, or 2.63 percent.
6a	Calculate Retirement withholdings and contributions by multiplying the CSRS and FERS payroll base by the withholding and employer contribution rates required by law. Compare the calculated totals with related amounts shown on the RITS submissions. Report any variance greater than 5 percent.	All variances between the calculated retirement withholding amounts and the RITS submissions were less than 5 percent, with the exception of the CSRS employer contributions for each pay period.  PP24's CSRS difference is 12.29% PP02's CSRS difference is 12.95% PP05's CSRS difference is 17.36%
6b	Calculate Health Benefit withholdings and contributions by multiplying 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. Sum the totals and compare the result with the RITS submission. Report any variances greater than 5 percent.	All variances between the calculated health benefits withholding amounts and the RITS submissions were less than 5 percent.

<i>Step</i>	<i>Agreed-Upon Procedures Performed</i>	<i>Results of Procedures</i>
6c	<p>Calculate the Basic Life insurance withholdings and contributions:  For <u>employee withholdings</u>: Add the product of 2,000 times the number of employees with Basic Life Insurance coverage to the aggregate annual basic pay for all employees selected. This represents the estimated Basic Life Insurance coverage. Divide this total by 1,000 and multiply by \$0.150 (for APOs with biweekly pay periods. Compare the results with the RITS submission.</p> <p>For <u>agency contributions</u>: Divide the employee withholdings by two – this approximates agency contributions, which are one-half of employee withholdings.</p> <p>Compare the results with the RITS submission. Report any variances greater than 5 percent.</p>	<p>All variances between the calculated basic life insurance withholding amounts and the RITS submissions were less than 5 percent.</p>
6d	<p>Calculate the Option A, Option B, and Option C Life Insurance coverage withholdings for the three pay periods selected by using the results of payroll system queries from step 6.a.</p> <p>Multiply the number of employees in each age group by the appropriate rate for Option A in accordance with the rate for age groups provided in the FEGLI Program Booklet. Report any differences greater than 2 percent.</p> <p>Divide the reports for Option B and Option C insurance into the age groups shown in the FEGLI Program Booklet. For Option B, round the employee's annual rate of basic pay up to the next 1,000, divide by 1,000, multiply by the rate for the age group, multiply this by the number of multiples.</p> <p>For Option C, multiply the rate for the age group B the number of multiples chosen for each employee.</p> <p>Report any differences (i.e. gross rather than net) greater than 2 percent of the amounts on the RITS submission for Option B and/or Option C.</p>	<p>All variances between the calculated Option A, Option B, and Option C Life Insurance withholding amounts and the RITS submissions were less than 2 percent.</p>

**OFFICE OF CHIEF FINANCIAL OFFICER'S**

**RESPONSE TO RESULTS OF PROCEDURES**

The following are the Office of Chief Financial Officer's responses to differences noted in the reported results to the *Agreed-Upon Procedures*:

**Response to Step 2.f Exceptions:**

The differences identified by the auditor were due to a delay in updating changes in agency contribution rates in the payroll system. Contribution rates were corrected effective October 1, 2003 and all prior agency contribution amounts were recomputed using correct rates back to the dates when the revised rates should have been effective and a refund of the excess contributions has been obtained.

**Response to Step 5.d Exception:**

The differences identified by the auditor were due to an error in the accumulation routine that generates the total employee headcount. A change in this accumulation routine to correct this error has been implemented.

**Response to Step 6.a Exception:**

The differences identified by the auditor were due to a delay in updating changes in agency contribution rates in the payroll system as discussed in Item 2.f above.

**EXHIBIT A**

We found that the actual retirement withholdings agreed to the calculated amounts, using criteria provided by OPM, however, CSRS contributions did not agree to the calculated amounts, using criteria provided by OPM. Ten employees had CSRS contribution differences.

The differences are summarized as follows:

Sample	Calculated Contribution	PP/PT Contribution	Difference	Percent Difference
2	\$315.08	\$383.02	\$(67.94)	-17.7%
5	\$101.61	\$123.57	\$(21.96)	-17.8%
6	\$245.39	\$298.33	\$(52.94)	-17.7%
8	\$281.48	\$342.17	\$(60.69)	-17.7%
11	\$331.08	\$402.49	\$(71.41)	-17.7%
12	\$331.08	\$402.49	\$(71.41)	-17.7%
15	\$195.17	\$237.26	\$(42.09)	-17.7%
18	\$208.32	\$253.26	\$(44.94)	-17.7%
23	\$382.37	\$464.85	\$(82.48)	-17.7%
25	\$331.08	\$402.49	\$(71.41)	-17.7%