

**U.S. DEPARTMENT OF LABOR
OFFICE OF INSPECTOR GENERAL
OFFICE OF AUDIT**

**ASSISTANT INSPECTOR GENERAL'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

**RETIREMENT, HEALTH BENEFITS, AND LIFE INSURANCE
WITHHOLDINGS/CONTRIBUTIONS AND SUPPLEMENTAL SEMIANNUAL
HEADCOUNT REPORT SUBMITTED TO THE
OFFICE OF PERSONNEL MANAGEMENT**

FOR THE YEAR ENDED SEPTEMBER 30, 2001

Report Number: 22-02-003-13-001
Date Issued: December 19, 2001

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ACRONYMS

APO	Agency Payroll Office
CFO	Chief Financial Officer
CSRS	Civil Service Retirement System
DOL	Department of Labor
DOLAR\$	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
IPS	Interactive Payroll System
OA	Office of Audit
OCFO	Office of Chief Financial Officer
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
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 and life insurance withholdings/contributions as well as enrollment information submitted via the Supplemental Semiannual Headcount Report.

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

Our procedures were performed in accordance with standards established by the American Institute of Certified Public Accountants and Government Auditing Standards, issued by the Comptroller General of the United States. In accordance with these standards, we are reporting on applying the agreed-upon procedures on the retirement, health and life insurance withholdings/contributions and employee headcount submitted by the U.S. Department of Labor (DOL) to OPM. The report includes the agreed-upon procedures performed and the detailed results of those procedures.

We performed certain agreed-upon procedures, which assessed the reasonableness of the retirement, health and life insurance withholdings/contributions and employee headcount submitted to OPM. No significant results were revealed from our application of procedures. We were not engaged to, nor did we perform, an audit of the retirement, health and life insurance and employee headcount of the DOL.

ASSISTANT INSPECTOR GENERAL'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

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 December 2, 2000; January 27, 2001; and March 10, 2001; and the Supplemental Semiannual Headcount Report as of March 31, 2001. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants and Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of the 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.

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.

John J. Getek
Assistant Inspector General for Audit
U.S. Department of Labor

December 10, 2001

AGREED-UPON PROCEDURES AND RESULTS

<i>Step</i>	<i>Agreed-Upon Procedures Performed</i>	<i>Results of Procedures</i>																																																																						
1a	Foot the payroll register or payroll data file that contains the payroll information associated with the RITS submissions.	We footed, without exception, the payroll information associated with the RITS submissions.																																																																						
1b	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.	<p>We traced the footed payroll withholding and contributions to the corresponding amounts on RITS submissions selected for the AUP. The differences are as follows:</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th colspan="2" style="text-align: center;">Withholding</th> <th colspan="2" style="text-align: center;">Contribution</th> </tr> <tr> <th></th> <th style="text-align: center;"><u>Amount (\$)</u></th> <th style="text-align: center;"><u>Percent</u></th> <th style="text-align: center;"><u>Amount (\$)</u></th> <th style="text-align: center;"><u>Percent</u></th> </tr> </thead> <tbody> <tr> <td colspan="5"><u>Pay Period 25</u></td> </tr> <tr> <td>Life Insurance</td> <td style="text-align: right;">2,584.49</td> <td style="text-align: right;">0.82</td> <td style="text-align: right;">159.74</td> <td style="text-align: right;">0.25</td> </tr> <tr> <td>Health Benefits</td> <td style="text-align: right;">1,824.10</td> <td style="text-align: right;">0.25</td> <td style="text-align: right;">12,586.14</td> <td style="text-align: right;">0.70</td> </tr> <tr> <td>Retirement</td> <td style="text-align: right;">19,114.66</td> <td style="text-align: right;">1.26</td> <td style="text-align: right;">101,006.88</td> <td style="text-align: right;">2.85</td> </tr> <tr> <td colspan="5"><u>Pay Period 03</u></td> </tr> <tr> <td>Life Insurance</td> <td style="text-align: right;">355.08</td> <td style="text-align: right;">0.11</td> <td style="text-align: right;">81.67</td> <td style="text-align: right;">0.13</td> </tr> <tr> <td>Health Benefits</td> <td style="text-align: right;">1,795.69</td> <td style="text-align: right;">0.22</td> <td style="text-align: right;">13,579.52</td> <td style="text-align: right;">0.69</td> </tr> <tr> <td>Retirement</td> <td style="text-align: right;">8,401.07</td> <td style="text-align: right;">0.61</td> <td style="text-align: right;">24,011.34</td> <td style="text-align: right;">0.67</td> </tr> <tr> <td colspan="5"><u>Pay Period 06</u></td> </tr> <tr> <td>Life Insurance</td> <td style="text-align: right;">3,135.21</td> <td style="text-align: right;">0.98</td> <td style="text-align: right;">(40.52)</td> <td style="text-align: right;">-0.06</td> </tr> <tr> <td>Health Benefits</td> <td style="text-align: right;">(86.67)</td> <td style="text-align: right;">-0.01</td> <td style="text-align: right;">8,389.76</td> <td style="text-align: right;">0.42</td> </tr> <tr> <td>Retirement</td> <td style="text-align: right;">22,309.39</td> <td style="text-align: right;">1.59</td> <td style="text-align: right;">12,910.87</td> <td style="text-align: right;">0.36</td> </tr> </tbody> </table>		Withholding		Contribution			<u>Amount (\$)</u>	<u>Percent</u>	<u>Amount (\$)</u>	<u>Percent</u>	<u>Pay Period 25</u>					Life Insurance	2,584.49	0.82	159.74	0.25	Health Benefits	1,824.10	0.25	12,586.14	0.70	Retirement	19,114.66	1.26	101,006.88	2.85	<u>Pay Period 03</u>					Life Insurance	355.08	0.11	81.67	0.13	Health Benefits	1,795.69	0.22	13,579.52	0.69	Retirement	8,401.07	0.61	24,011.34	0.67	<u>Pay Period 06</u>					Life Insurance	3,135.21	0.98	(40.52)	-0.06	Health Benefits	(86.67)	-0.01	8,389.76	0.42	Retirement	22,309.39	1.59	12,910.87	0.36
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1c	Obtain support for difference between amounts shown on the source payroll information or derived from the files footed in step 1a and amounts shown on the RITS submission selected.	Supporting documentation for the differences was not provided.																																																																						
1d	Trace reconciling items to supporting documentation and verify agreement.	Reconciling items were not provided.																																																																						
1e	Foot each RITS submission selected.	We footed, without exception, the RITS submission for the selected pay periods.																																																																						
2	Review the APO's reconciliation of the payroll data file to the general ledger accounts or if such a reconciliation does not exist, perform the reconciliation.	The APO prepares a DOLAR\$/PAYROLL compare report to reconcile the payroll data file with the general ledger. There were no unsupported differences. The APO posts the employer share of contribution for Retirement, Health Benefits, and Life Insurance to SGL 6400. The employee share is a part of the employee gross salary and it is reported in SGL 6100.																																																																						
3	Randomly select a total of 25 individuals who were on the payroll system for all three of the	We used the IPS database provided and extracted the three selected pay periods using IDEA software.																																																																						

<i>Step</i>	<i>Agreed-Upon Procedures Performed</i>	<i>Results of Procedures</i>
3	RITS submissions selected for testing, that have retirement, health and life insurance and at least one optional life insurance coverage.	We then used IDEA to select a random sample of 25 employees that met the criteria in <i>Step 3</i> .
3a	Verify that the base salary used for payroll purposes agrees with the base salary reflected on the employee's SF-50.	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.
3b	For Retirement, verify that amounts withheld and contributed for participants in the CSRS and the FERS are correct, based upon the official withholdings and contribution rates required by law.	We found two sample items with unsubstantiated differences. One sample item had two differences; excess employee withholdings in the amount of \$16.97 and excess employer contributions in the amount of \$379.41. The other sample item had an unsubstantiated difference in employee withholdings in the amount of \$173.70.
3c	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.	We verified, without exception, that the employees were enrolled in the selected plan and that the withholding rates and agency contributions agreed with the subscription rates.
3d	For life insurance, verify that Basic Life Insurance was elected by the employees, as documented by a SF 2817 in the employees' OPF and that the contributions and withholdings are correct.	We found one item that had differences in Basic Life Insurance employee withholdings and employer contributions. Both differences could not be substantiated and were in the amounts of \$2.17 for employee withholdings and \$1.08 for employer contributions.
3e	Verify Optional coverage was elected, as documented by a SF 2817 in the employee's OPF, and that withholdings are correct.	We found two items with differences in Optional employee withholdings. One item had two differences, which resulted from the APO not changing the employee's withholding based on a change in age, in the amounts of \$0.20 for Option A coverage and \$0.60 for Option C coverage and the second item had one difference which could not be substantiated in the amount of \$0.42 for Option B coverage.
4	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.	We verified, without exception, that the selected employees did not elect Health Benefits coverage.
5	Randomly select a total of 10 employees who have no Life Insurance withholdings from the	We verified, without exception, that the selected employees did not elect Life Insurance coverage.

<i>Step</i>	<i>Agreed-Upon Procedures Performed</i>	<i>Results of Procedures</i>
	three pay periods selected for testing. Verify that the employees either waived or canceled Life Insurance coverage.	employees did not elect Life Insurance coverage.
6a	Obtain existing payroll information supporting the selected Supplemental Semiannual Headcount report.	The APO provided payroll information supporting the Semiannual Headcount report.
6b	Calculate the headcount by counting the number of employees (using a computer audit routine) on the payroll data file for the period.	We calculated 16,113 employees in the payroll data file using a computer audit routine.
6c	Compare the results of payroll information from step 6a with the calculated headcount from step 6b to the information shown on the Semiannual Headcount Report.	The total from the calculated headcount (step 6b) does not agree with the headcount report nor the supporting documentation obtained (step 6a).
6d	Report any differences greater than 2 percent between the agency's Semiannual Headcount Report and the payroll information from step 6a and the calculated headcount from step 6b.	There is a difference between the calculated headcount and the Semiannual Headcount Report of 3.07 percent.
7a	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.	We did not find any variances between the calculated amounts and the RITS submissions in excess of the 5 percent threshold.
7b	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.	We did not find any variances between the calculated amounts and the RITS submissions in excess of the 5 percent threshold.
7c	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; Compare the results with the RITS submission. For <u>agency contributions</u> : Divide the results by two – this approximates agency	We did not find any variances between the calculated amounts and the RITS submissions in excess of the 5 percent threshold.

<i>Step</i>	<i>Agreed-Upon Procedures Performed</i>	<i>Results of Procedures</i>										
	contributions, which are one-half of employee withholdings. Compare the results with the RITS submission. Report any variances greater than 5 percent.											
7d	Calculate the Option A 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. Multiply the number of employees in each age group by the appropriate rate for Option A or Option C. Report any differences greater than 2 percent.	<p>The following variances were identified above the 2 percent threshold:</p> <table> <thead> <tr> <th></th> <th style="text-align: right;"><u>Percent Variance</u></th> </tr> </thead> <tbody> <tr> <td><u>Pay Period 25</u> Option C</td> <td style="text-align: right;">2.94</td> </tr> <tr> <td><u>Pay Period 3</u> Option A</td> <td style="text-align: right;">-2.42</td> </tr> <tr> <td>Option C</td> <td style="text-align: right;">2.57</td> </tr> <tr> <td><u>Pay Period 6</u> Option C</td> <td style="text-align: right;">2.59</td> </tr> </tbody> </table>		<u>Percent Variance</u>	<u>Pay Period 25</u> Option C	2.94	<u>Pay Period 3</u> Option A	-2.42	Option C	2.57	<u>Pay Period 6</u> Option C	2.59
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