

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

**DEPUTY INSPECTOR GENERAL'S REPORT ON
APPLYING AGREED-UPON PROCEDURES FOR THE
RETIREMENT, HEALTH BENEFITS, AND LIFE INSURANCE
WITHHOLDINGS/CONTRIBUTIONS AND THE MARCH 31, 2002 SUPPLEMENTAL SEMIANNUAL
HEADCOUNT REPORT SUBMITTED TO THE
OFFICE OF PERSONNEL MANAGEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2002**

This engagement was performed by Harper, Rains, Stokes & Knight, P.A., under contract to the Office of Inspector General, and, by acceptance, it becomes a report of the Office of Inspector General.

Elliot P. Lewis

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Deputy Inspector General for Audit

Report Number: 22-03-002-13-001

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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	Integrated Payroll System
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
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 1, 2002. 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 presented in AUP steps 5c, 5d, and 6d.

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

HARPER, RAINS STOKES & KNIGHT

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Elliot P. Lewis
Deputy Inspector General for Audit
Office of Inspector General
U.S. Department of Labor

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 28, 2001; January 23, 2002; and March 20, 2002; and the Supplemental Semiannual Headcount Report as of March 31, 2002. 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 28, 2001; January 23, 2002; and March 20, 2002; and the Supplemental Semiannual Headcount Report as of March 31, 2002. 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.

Harper, Rains, Stokes, & Knight, P.A.

November 14, 2002

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.	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.	<p>We traced the footed payroll withholding to the corresponding amounts on RITS submissions selected for the AUP. The differences are as follows:</p> <table border="0"> <thead> <tr> <th></th> <th align="right"><u>Withholding Amount (\$)</u></th> <th align="right"><u>Percent</u></th> </tr> </thead> <tbody> <tr> <td colspan="3"><u>Pay Period 24</u></td> </tr> <tr> <td>Life Insurance</td> <td align="right">121.80</td> <td align="right">0.04</td> </tr> <tr> <td>Health Benefits</td> <td align="right">3,091.69</td> <td align="right">0.38</td> </tr> <tr> <td>Retirement</td> <td align="right">6,556.01</td> <td align="right">0.47</td> </tr> <tr> <td colspan="3"><u>Pay Period 02</u></td> </tr> <tr> <td>Life Insurance</td> <td align="right">(689.35)</td> <td align="right">-0.20</td> </tr> <tr> <td>Health Benefits</td> <td align="right">(464.83)</td> <td align="right">-0.06</td> </tr> <tr> <td>Retirement</td> <td align="right">10,208.80</td> <td align="right">0.76</td> </tr> <tr> <td colspan="3"><u>Pay Period 06</u></td> </tr> <tr> <td>Life Insurance</td> <td align="right">(56.94)</td> <td align="right">-0.02</td> </tr> <tr> <td>Health Benefits</td> <td align="right">7,775.14</td> <td align="right">0.84</td> </tr> <tr> <td>Retirement</td> <td align="right">12,594.07</td> <td align="right">0.89</td> </tr> </tbody> </table> <p>There are no differences greater than 1%, therefore no explanations were required.</p>		<u>Withholding Amount (\$)</u>	<u>Percent</u>	<u>Pay Period 24</u>			Life Insurance	121.80	0.04	Health Benefits	3,091.69	0.38	Retirement	6,556.01	0.47	<u>Pay Period 02</u>			Life Insurance	(689.35)	-0.20	Health Benefits	(464.83)	-0.06	Retirement	10,208.80	0.76	<u>Pay Period 06</u>			Life Insurance	(56.94)	-0.02	Health Benefits	7,775.14	0.84	Retirement	12,594.07	0.89
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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 I-1, Agree-Upon Procedures</i> .	We used the IPS database provided and extracted the three selected pay periods using IDEA software. We then used IDEA to select a random sample of 25 employees that met the criteria in <i>OMB Bulletin 01-02, Appendix I-1, Agree-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"> • all Notifications of Personnel Actions (SF-50) covering the pay periods in the RITS submissions chosen; • the Health Benefits Registration Form (SF—2809) covering the pay periods in the RITS submission chosen; and • the Life Insurance Election Form (SF-2817) covering the pay periods in the RITS submission chosen. 	All documents listed in <i>OMB Bulletin 01-02, Appendix I-1, Agree-Upon Procedures</i> , step 2.b. for the selected individuals were obtained from the OPFs.																																							

<i>Step</i>	<i>Agreed-Upon Procedures Performed</i>	<i>Results of Procedures</i>
2c	<p>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.</p> <p>Confirm that the health benefits information to be used in the step 2.g. covers the pay periods in the RITS submissions chosen.</p>	All necessary Employee Express files were viewed. All transaction dates matched those on the certified copies of the SF-2809s. All of the health benefits information to be used in the step 2.g. covers the pay periods in the RITS submissions chosen.
2d	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.
2e	For Retirement, compare the plan code on the employees' SF-50 to the plan code used in the payroll system	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	<p>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.</p> <p>Compare to actual amounts withheld and contributed.</p>	We verified, without exception that the actual retirement withholdings and contributions agreed to the calculated amounts, using criteria provided by OPM.
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.	We verified, without 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.
2h	For life insurance, verify that Basic Life Insurance was elected by the employees, as documented by a SF 2817 in the employees' OPF.	We verified, without exception that Basic Life Insurance coverage was elected by the employees.
2i	<p>Calculate the withholding and contribution amounts for basic life insurance using the following:</p> <p>For employee withholdings: 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 \$0.155.</p> <p>For agency contributions: Divide the employee withholdings calculated above by 2.</p> <p>Compare to actual amounts withheld and contributed. Report any differences.</p>	We verified, without exception, that actual Basic Life Insurance contributions and withholdings agree to the calculated amounts using the criteria provided by OPM.
2j	For Life Insurance, compare the optional	We verified, without exception, that the optional

<i>Step</i>	<i>Agreed-Upon Procedures Performed</i>	<i>Results of Procedures</i>
	<p>coverage elected as documented by an SF-2817 in the employees' OPF with optional coverage documented in the payroll system.</p> <p>Report any differences.</p>	<p>coverage elected as documented by an SF-2817 in the employees' OPF agrees with optional coverage documented in the payroll system.</p>
2k	<p>Calculate the withholding amounts for the optional life insurance coverage using the following:</p> <p>For Option A: 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.</p> <p>For Option B: 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.</p> <p>For Option C: 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.</p> <p>Compare to amount withheld. Report any differences.</p>	<p>We verified, without exception, that Optional Life Insurance withholdings agree to the amounts calculated using the criteria provided by OPM.</p>
3	<p>Randomly select a total of 10 employees who have no Health Benefits from the three pay periods selected for testing.</p> <p>Verify that the employees did not elect Health Benefits coverage.</p>	<p>We verified, without exception, that Health Benefits were not elected by the selected employees.</p>

<i>Step</i>	<i>Agreed-Upon Procedures Performed</i>	<i>Results of Procedures</i>
4	<p>Randomly select a total of 10 employees who have no Life Insurance withholdings from the three pay periods selected for testing.</p> <p>Verify that the employees either waived or canceled Life Insurance coverage.</p>	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 16,339 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.	The total from the calculated headcount (step 5b) does not agree with the headcount report or the supporting documentation obtained (step 5a).
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 738 employees, or 4.32 percent.
6a	<p>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.</p> <p>Report any variance greater than 5 percent.</p>	All variances between the calculated retirement withholding amounts and the RITS submissions were less than 5 percent.
6b	<p>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.</p> <p>Report any variances greater than 5 percent.</p>	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:</p> <p>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 \$0.155 (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>The following variances were identified above the 2 percent threshold:</p> <table border="1" data-bbox="894 1062 1490 1470"> <thead> <tr> <th></th> <th><u>Difference</u></th> <th><u>Percent Variance</u></th> </tr> </thead> <tbody> <tr> <td colspan="3"><u>Pay Period 24</u></td> </tr> <tr> <td>Option A</td> <td>-\$206.70</td> <td>-2.50%</td> </tr> <tr> <td>Option C</td> <td>\$465.27</td> <td>4.62%</td> </tr> <tr> <td colspan="3"><u>Pay Period 02</u></td> </tr> <tr> <td>Option A</td> <td>-\$297.70</td> <td>-3.62%</td> </tr> <tr> <td>Option B</td> <td>-\$4,804.77</td> <td>-2.66%</td> </tr> <tr> <td colspan="3"><u>Pay Period 06</u></td> </tr> <tr> <td>Option A</td> <td>-\$249.94</td> <td>-3.02%</td> </tr> <tr> <td>Option B</td> <td>-\$5,341.10</td> <td>-2.81%</td> </tr> </tbody> </table>		<u>Difference</u>	<u>Percent Variance</u>	<u>Pay Period 24</u>			Option A	-\$206.70	-2.50%	Option C	\$465.27	4.62%	<u>Pay Period 02</u>			Option A	-\$297.70	-3.62%	Option B	-\$4,804.77	-2.66%	<u>Pay Period 06</u>			Option A	-\$249.94	-3.02%	Option B	-\$5,341.10	-2.81%
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MANAGEMENT'S RESPONSE TO RESULTS OF PROCEDURES

The following are management's responses to differences noted in the reported results to the *Agreed-Upon Procedures*:

Step 5 c and 5 d:

“This was an error on our part. The 55 – 59 deductions made were added to the 60 and up group. The money amounts are fine. We will contact OPM and have this corrected.”

Step 6 d:

Management has not provided an explanation for the differences noted.