

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

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

FOR THE YEAR ENDED SEPTEMBER 30, 2000

Report Number: 22-01-011-13-001
Date Issued:

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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 Appendix I 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 Semiannual Headcount Report.

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

What We Did and What the Report Contains

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 head count submitted by the Department of Labor 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 head count submitted to the 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 head count of the Department of Labor.

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

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

We have performed the procedures described in the OMB Bulletin 01-02 Appendix I, which were agreed to by the Inspector General, the Chief Financial Officer, and the Associate Director for Retirement and Insurance Service of the OPM, solely to assist with respect to 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 20, 1999; January 15, 2000; and March 11, 2000; and the Supplemental Semiannual Headcount Report as of March 31, 2000. This engagement to apply agreed-upon procedures 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 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, retirement and employee head count of the 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 U.S. Department of Labor, the Inspector General, the Chief Financial Officer, and the Associate Director for Retirement and Insurance of the U.S. Office of Personnel Management 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 thereof. However, this report is a matter of public record and its distribution is not limited.

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

December 22, 2000

AGREED-UPON PROCEDURES

<i>Agreed-Upon Procedures Performed</i>	<i>Results of Procedures</i>																																																
Foot the payroll register or payroll data file that contains the payroll information associated with three RITS submissions selected.	The OCFO provided us with the payroll database. We footed the payroll information associated with the RITS submissions without exception.																																																
Trace employee withholding information shown on the payroll register or derived from files footed above 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 results show small variances for which the APO cannot explain. The variances are as follows:</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;">Percent Withholding</th> <th style="text-align: center;">Percent Contribution</th> </tr> </thead> <tbody> <tr> <td colspan="3"><u>Pay Period 24</u></td> </tr> <tr> <td>Life Insurance</td> <td style="text-align: center;">-0.074</td> <td style="text-align: center;">-0.074</td> </tr> <tr> <td>Health Benefits</td> <td style="text-align: center;">0.387</td> <td style="text-align: center;">0.400</td> </tr> <tr> <td>Retirement - CSRS</td> <td style="text-align: center;">-0.032</td> <td style="text-align: center;">-0.031</td> </tr> <tr> <td>Retirement- FERS</td> <td style="text-align: center;">-0.085</td> <td style="text-align: center;">-0.084</td> </tr> <tr> <td colspan="3"><u>Pay Period 02</u></td> </tr> <tr> <td>Life Insurance</td> <td style="text-align: center;">0.000</td> <td style="text-align: center;">0.000</td> </tr> <tr> <td>Health Benefits</td> <td style="text-align: center;">0.467</td> <td style="text-align: center;">0.480</td> </tr> <tr> <td>Retirement - CSRS</td> <td style="text-align: center;">0.000</td> <td style="text-align: center;">0.000</td> </tr> <tr> <td>Retirement- FERS</td> <td style="text-align: center;">0.000</td> <td style="text-align: center;">0.000</td> </tr> <tr> <td colspan="3"><u>Pay Period 06</u></td> </tr> <tr> <td>Life Insurance</td> <td style="text-align: center;">0.000</td> <td style="text-align: center;">0.000</td> </tr> <tr> <td>Health Benefits</td> <td style="text-align: center;">0.590</td> <td style="text-align: center;">0.603</td> </tr> <tr> <td>Retirement - CSRS</td> <td style="text-align: center;">-0.014</td> <td style="text-align: center;">-0.014</td> </tr> <tr> <td>Retirement - FERS</td> <td style="text-align: center;">0.000</td> <td style="text-align: center;">0.000</td> </tr> </tbody> </table>		Percent Withholding	Percent Contribution	<u>Pay Period 24</u>			Life Insurance	-0.074	-0.074	Health Benefits	0.387	0.400	Retirement - CSRS	-0.032	-0.031	Retirement- FERS	-0.085	-0.084	<u>Pay Period 02</u>			Life Insurance	0.000	0.000	Health Benefits	0.467	0.480	Retirement - CSRS	0.000	0.000	Retirement- FERS	0.000	0.000	<u>Pay Period 06</u>			Life Insurance	0.000	0.000	Health Benefits	0.590	0.603	Retirement - CSRS	-0.014	-0.014	Retirement - FERS	0.000	0.000
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Obtain support for difference between amounts shown on the payroll register or derived from the files footed above and amounts shown on the RITS submission selected.	<p><u>Health Benefits</u> - The Department stated some variances occurred due to staff entering the wrong FEHB codes or employee cancels benefits but deductions continue in subsequent pay periods.</p> <p><u>Retirement</u> - The Department could not provide an explanation for the small variances.</p> <p><u>Life Insurance</u> -The Department could not provide an explanation for the small variances.</p>																																																
Trace reconciling items to supporting documentation and verify the agreement.	We agreed the supporting detail reports to the amounts reported on the RITS submission for the selected three pay periods.																																																
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AGREED-UPON PROCEDURES

<i>Agreed-Upon Procedures Performed</i>	<i>Results of Procedures</i>
Review the APO 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 an IPS/DOLAR\$ comparison report to reconcile the payroll data file with the general ledger. There were no unsupported differences. The APO will post the employer's share of contribution for Retirement, Health Benefits, and Life Insurance as SGL 6400. The employee's share is a part of the employee's gross salary and it is reported in SGL 6100 (Current Operating Expenditure).
Randomly select a total of 25 individuals from the payroll register or files footed above that have retirement, health, and life insurance and at least one optional life coverage.	We used the IPS database provided and extracted the three selected pay periods using IDEA software. We agreed the universe with the DOLAR\$ at March 31, 2000. We then used IDEA software to select a simple random sample with no replacements of 25 employees.
Verify that the base salary shown on the payroll register agrees with the approved amounts reflected on the employees' Personnel Action, SF-50 or SF-52.	We determined that the amount shown on the payroll register agrees with the approved amounts reflected on the employees' Personnel Action, SF-50.
For retirement withholdings (contributions), verify that retirement withholdings for participants in the Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS) are the amounts required by law.	For each sample item, we determined that the retirement withholding was appropriate depending on which retirement plan the employee was enrolled.
For health insurance withholdings (contributions), verify that the withholdings agree with the contribution rate or amount for coverage selected as documented in the employees' personnel files. If documentation is not available in the files, obtain an Employee Express (EE) Health Benefit History report through the EE key representative.	For each of the sample items, we determined that the employees were enrolled in the plan selected by the employees. We verified any changes for FEHB processed through Employee Express. The changes were updated in the Personnel People Power System.
For life insurance, including optional coverage, withholding (contributions), verify that the contributions agree with the contribution rate (amount) for the coverage selected as documented by a Life Insurance Election Form in the employees' personnel files.	For each sample item, we determined that the life insurance coverage agreed with the employees' personnel records.

AGREED-UPON PROCEDURES

<i>Agreed-Upon Procedures Performed</i>	<i>Results of Procedures</i>
Randomly select a total of 10 employees who do not have either health insurance withholdings or life insurance withholdings from the payroll register or related files footed.	We used the IPS database provided and extracted the three selected pay periods using IDEA software. We agreed with the universe in DOLAR\$ at March 31, 2000. We then used IDEA software to select a simple random sample with no replacements of 10 employees.
Verify from a review of personnel records the employees elected to be excluded from health insurance coverage. Obtain confirmation from Employee Express that no election was made by this means.	For each sample item, we determined that signed waivers were on file in the employees' personnel folders. We verified any changes for FEHB processed through Employee Express. The changes were updated in the Personnel People Power System.
Verify from a review of personnel records the employees elected to be excluded from life insurance coverage.	For each sample item, we determined that signed waivers or signed documents canceling coverage were on file in the employees' personnel folders.
Recalculate the head count reflected on the Supplemental Semiannual Headcount Report selected for testing.	We recalculated the Supplemental Semiannual Headcount Report for pay date March 22, 2000.
Have APO personnel perform the payroll system queries that summarize detail payroll data.	The APO personnel performed a system query and provided the summarized detail payroll data for pay period 06.
Calculate the head count by counting the number of employees on the payroll data file for the period.	We counted the number of employees in the IPS database for the corresponding period.
Compare the calculated head count with the summary information queried and information shown on the headcount report.	The totals that appeared on the summary information disagreed with the headcount report. There was a 3.05 percent variance between the headcount report and the calculated head count.
Report any differences greater than 2 percent between the head count reporting.	The difference of 3.05 percent was brought to the Department's attention. The Department is unable to explain the difference at this time. The reported headcount was greater than the calculated headcount.

AGREED-UPON PROCEDURES

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<p>For the three pay periods selected, determine the total number of employees enrolled in each retirement plan (CSRS and FERS) and the corresponding payroll base subject to the respective contribution rate, the total number of employees enrolled in each health insurance plan and plan options, and the total number of employees enrolled in each life insurance option and base plan and corresponding total life insurance base pay.</p>	<p>We calculated the total number of employees for the following: each retirement plan (CSRS, Offset, and FERS), each health plan, and life insurance option.</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;"><u>PP 24</u></th> <th style="text-align: center;"><u>PP 02</u></th> <th style="text-align: center;"><u>PP 06</u></th> </tr> </thead> <tbody> <tr> <td>CSRS</td> <td style="text-align: right;">6,813</td> <td style="text-align: right;">6,723</td> <td style="text-align: right;">6,675</td> </tr> <tr> <td>FICA</td> <td style="text-align: right;">140</td> <td style="text-align: right;">180</td> <td style="text-align: right;">130</td> </tr> <tr> <td>None</td> <td style="text-align: right;">18</td> <td style="text-align: right;">5</td> <td style="text-align: right;">3</td> </tr> <tr> <td>CSRS Law Enforcement</td> <td style="text-align: right;">139</td> <td style="text-align: right;">134</td> <td style="text-align: right;">132</td> </tr> <tr> <td>Offset</td> <td style="text-align: right;">507</td> <td style="text-align: right;">512</td> <td style="text-align: right;">515</td> </tr> <tr> <td>Offset Law Enforcement</td> <td style="text-align: right;"><u>7</u></td> <td style="text-align: right;"><u>6</u></td> <td style="text-align: right;"><u>6</u></td> </tr> <tr> <td>Total CSRS</td> <td style="text-align: right;"><u>7,624</u></td> <td style="text-align: right;"><u>7,560</u></td> <td style="text-align: right;"><u>7,461</u></td> </tr> <tr> <td>FERS</td> <td style="text-align: right;">8,156</td> <td style="text-align: right;">8,186</td> <td style="text-align: right;">8,172</td> </tr> <tr> <td>FERS Law Enforcement</td> <td style="text-align: right;"><u>119</u></td> <td style="text-align: right;"><u>119</u></td> <td style="text-align: right;"><u>124</u></td> </tr> <tr> <td>Total FERS</td> <td style="text-align: right;"><u>8,275</u></td> <td style="text-align: right;"><u>8,305</u></td> <td style="text-align: right;"><u>8,296</u></td> </tr> <tr> <td>Total Number of Employees</td> <td></td> <td style="text-align: right;"><u>15,899</u></td> <td style="text-align: right;"><u>15,865</u></td> </tr> </tbody> </table>		<u>PP 24</u>	<u>PP 02</u>	<u>PP 06</u>	CSRS	6,813	6,723	6,675	FICA	140	180	130	None	18	5	3	CSRS Law Enforcement	139	134	132	Offset	507	512	515	Offset Law Enforcement	<u>7</u>	<u>6</u>	<u>6</u>	Total CSRS	<u>7,624</u>	<u>7,560</u>	<u>7,461</u>	FERS	8,156	8,186	8,172	FERS Law Enforcement	<u>119</u>	<u>119</u>	<u>124</u>	Total FERS	<u>8,275</u>	<u>8,305</u>	<u>8,296</u>	Total Number of Employees		<u>15,899</u>	<u>15,865</u>
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<p>Compare the calculated totals above with the related amounts shown on the RITS submissions. Report any variances greater than 5 percent.</p>	<p>We compared the total CSRS and FERS and the variances are below the 5 percent threshold.</p>																																																																						
<p>Calculate the health insurance withholdings and employer contribution for the three pay periods by multiplying the number of employees enrolled in each health plan and option plan by the employee and employer premiums for the plan and options.</p>	<p>For the health insurance, we calculated the employee withholdings and agency contribution for the three pay periods.</p>																																																																						
<p>Sum the totals above and compare with the health insurance withholding and contribution amounts shown on the RITS submissions. Report any variances greater than 5 percent.</p>	<p>We compared the calculated employee withholdings and the agency contribution to the amount reported in the IPS database. There are no variances greater than 5 percent.</p>																																																																						
<p>Calculate the basic life insurance employee withholding and employer contribution for the three pay periods selected.</p>	<p>We calculated the basic life insurance employee withholding and employer contribution for the three pay periods.</p>																																																																						

AGREED-UPON PROCEDURES

<i>Agreed-Upon Procedures Performed</i>	<i>Results of Procedures</i>												
Request APO 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 such employees.	The OCFO provided the payroll database. We determined the total number of employees with Basic Life Insurance Program coverage and the aggregate annual basic pay for such employees.												
For <u>employee withholdings</u> : Add the product of 2,000 times the number of employees with the basic coverage to the total base pay for all employees selected. (Estimated total basic life insurance coverage.) Divide this total by 1,000 and multiply by \$0.155. Compare the results and report any difference between the estimate and the amount of withholdings reported on the RITS submissions greater than 5 percent.	We performed AUP procedures to determine the estimated withholdings for Basic Life Insurance. The results were that there were no variances to report. All the variances were below 5 percent.												
For <u>agency contributions</u> : Divide results above by one-half. This approximates employer contributions, which are one-half of employee withholdings. Compare the results and report any differences greater than 5 percent.	We performed AUP procedures to determine the estimated contributions for Basic Life Insurance. The results were that there were no variances to report. All the variances were below 5 percent.												
Calculate the Options A and C coverage withholding for the three pay periods selected by using the results of payroll system queries or have the APO provide the number of employees, by age group who elected Options A and C during the selected pay periods. Report any variance greater than 2 percent.	<p>The APO was able to provide the number of employees, by age group who elected the life insurance Options A and/or C. We then calculated the withholding.</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;"><u>PP</u></th> <th style="text-align: center;"><u>Option A</u></th> <th style="text-align: center;"><u>Option C</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">24</td> <td style="text-align: center;">\$ 7,863</td> <td style="text-align: center;">\$ 3,964</td> </tr> <tr> <td style="text-align: center;">02</td> <td style="text-align: center;">7,708</td> <td style="text-align: center;">3,933</td> </tr> <tr> <td style="text-align: center;">06</td> <td style="text-align: center;">7,825</td> <td style="text-align: center;">3,983</td> </tr> </tbody> </table> <p>The variance was less than 2 percent.</p>	<u>PP</u>	<u>Option A</u>	<u>Option C</u>	24	\$ 7,863	\$ 3,964	02	7,708	3,933	06	7,825	3,983
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