

Memorandum

DATE: July 23, 2009 Audit Report Number: OAS-L-09-12
REPLY TO
ATTN OF: IG-30 (A09FN007)
SUBJECT: Report on "Agreed-Upon Procedures for Federal Payroll"
TO: Director of Human Capital Management, HC-1
Acting Director, Policy and Internal Controls Management, NA-66

INTRODUCTION AND OBJECTIVE

The Office of Management and Budget Bulletin No. 07-04 (Bulletin), "Audit Requirements for Federal Financial Statements," dated September 4, 2007, amended August 25, 2008, requires an annual audit of civilian payroll of executive departments and other Government agencies. Auditors are required to follow the agreed-upon procedures in Section 11 of the Bulletin to assess the reasonableness of life insurance, health benefits, and retirement withholdings and contributions.

In Fiscal Year 2009, the Department of Energy (Department) used the Defense Finance and Accounting Service (DFAS) to process its payroll. For this audit of civilian payroll, the Department of Defense (DoD) Office of Inspector General (OIG) is the principal auditor. Our office performed the agreed-upon procedures under a Memorandum of Agreement with the DoD OIG. The purpose of this audit was to determine whether base salary and life insurance, health and retirement benefits' withholdings and contributions for selected Department employees were reasonable and accurate.

CONCLUSIONS AND OBSERVATIONS

For the most part, the life insurance, health and retirement benefits withholdings and contributions for our sample of 51 employees were reasonable and accurate. However, our review disclosed five errors:

- A National Nuclear Security Administration (NNSA) employee's retention incentive pay was inaccurate;
- A NNSA employee's withholding for Federal Employee Group Life Insurance (FEGLI) was not correct; and,
- Three official personnel files at Headquarters Human Resources Operations Division (HQ-HR) did not contain documentation authorizing the employees' withholdings.

According to an NNSA official, the employee's inaccurate retention incentive pay was caused by an error in processing the payroll transaction at DFAS. The NNSA official indicated that the other employee's inaccurate FEGLI withholding began while the employee was working at another Federal agency and the error was not corrected when the employee transferred to the Department. Similarly, HQ-HR officials indicated that two of the missing forms were for employees whose previous employers were other Federal agencies and the errors were not corrected when the employees transferred to the Department. A third missing form appeared to have been misfiled and could not be found.

We referred the NNSA errors to the Associate Administrator for Management and Administration, NNSA, and the Headquarters errors to the Director, Headquarters Office of Human Resource Services, both of whom indicated that all errors have been or will be corrected and that procedures to review the official personnel files of new and/or transferred employees are being strengthened.

No recommendations or suggestions are being made and a response to this report is not required. We appreciate the cooperation of your staff during our review.



Rickey R. Hass
Deputy Inspector General
for Audit Services
Office of Inspector General

Attachment

cc: Chief of Staff
Team Leader, Audit Liaison Team, CF-1.2
Dianne Williams, Office of Internal Review, CF-1.2
J. Parker, National Nuclear Security Administration, NA-66
Audit Liaison, Office of Human Capital Management, HC-30

SCOPE AND METHODOLGY

We reviewed amounts withheld and contributed by Department of Energy (Department) employees for the pay period ended October 25, 2008, in accordance with procedures under the Memorandum of Agreement (MOA) with the Department of Defense (DoD) Office of Inspector General (OIG) and steps 2 through 4 in Section 11 of the Office of Management and Budget Bulletin No. 07-04 (Bulletin). The audit was performed from March 2009 to June 2009 at program offices in Germantown, Maryland, and Washington, DC.

To accomplish the audit objective, we:

- Obtained a random sample of 51 Department employees from the DoD OIG, of which 27 had retirement, health benefits, and life insurance; 12 had no health benefits; and 12 had no life insurance;
- Reviewed Section 11 of the Bulletin, "Audit Requirements for Federal Financial Statements," Agreed-Upon Procedures;
- Used granted access to each sampled employee's electronic Official Personnel Folder (eOPF) to obtain copies of information;
- Reviewed copies of employees' Notification of Personnel Action (SF-50), Health Benefits Election Form (SF-2809), Life Insurance Election Form (SF-2817), and Thrift Savings Plan Election Form (TSP-1) obtained from their eOPFs and reviewed agency automated system reports where applicable;
- Calculated gross pay, health benefits, life insurance, and retirement withholdings and contributions for accuracy;
- Analyzed each document to verify that employees' withholdings and contributions were consistent with Defense Finance and Accounting Service data;
- Analyzed each document for anomalies;
- Spoke with Human Resources Officers and Human Resources Specialists responsible for maintaining eOPFs at each site to request additional documents; and,
- Summarized our analysis of each of the 51 sample items and provided the results to the DoD OIG.

We conducted the audit in accordance with generally accepted Government auditing standards for financial audits. Our test work was limited to the procedures listed under the MOA and contained in Section 11 of the Bulletin. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our audit. A draft of this report was provided to National Nuclear Security Administration and Headquarters Office of Human Resource Services representatives on June 29, 2009, both of whom agreed with the report.