



U.S. Department of Agriculture



Office of Inspector General  
Financial Audit Operations

**Agreed-Upon Procedures: Employee Benefits,  
Withholdings, Contributions, and Supplemental  
Semiannual Headcount Reporting Submitted to the  
Office of Personnel Management**

Report 11401-1-11  
September 2011



United States Department of Agriculture  
Office of Inspector General  
Washington, D.C. 20250



Date: September 23, 2011

The Honorable Patrick E. McFarland  
Inspector General  
U.S. Office of Personnel Management  
Theodore Roosevelt Federal Building  
1900 E Street NW, Room 6400  
Washington, D.C. 20415-0001

Subject: Agreed-Upon Procedures: Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the U.S. Office of Personnel Management

Dear Mr. McFarland:

This report presents the results of the Agreed-Upon Procedures performed on the subject information processed by the Department of Agriculture's Office of the Chief Financial Officer/National Finance Center as of August 31, 2011.

Our review included information for the following entities, listed in Appendix A of the Office of Management and Budget (OMB) Bulletin 07-04, *Audit Requirements for Federal Financial Statements*, dated September 4, 2007, and amended by OMB Memorandum 09-33, dated September 23, 2009: Department of Agriculture, Department of Commerce, Department of Homeland Security, Department of Housing and Urban Development, Department of Justice, Department of Labor, Department of the Treasury, Agency for International Development, and Small Business Administration.

This review was performed as required by OMB and in accordance with applicable *Government Auditing Standards* and the *Statements of Standards for Attestation Engagements* established by the American Institute of Certified Public Accountants.

If you have questions, please contact me at (202) 720-5907 or have a member of your staff contact Lynette K. Cockrell, Director, Financial Audit Operations, at (816) 823-3860.

Sincerely,

Gil H. Harden /s/  
Assistant Inspector General  
for Audit

cc:

Stephen J. Agostini, Chief Financial Officer, Office of Personnel Management

## **Table of Contents**

<b>Executive Summary .....</b>	<b>1</b>
<b>Independent Auditors' Report.....</b>	<b>3</b>
<b>Abbreviations .....</b>	<b>5</b>
<b>Exhibit A: Procedures Performed and Results.....</b>	<b>6</b>

## Executive Summary

### Agreed-Upon Procedures: Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the Office of Personnel Management (Report 11401-1-11)

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#### Results in Brief

This report presents the results of the Agreed-Upon Procedures performed on the employee benefits, withholdings, contributions, and the *Supplemental Semiannual Headcount Reports* submitted to the U.S. Office of Personnel Management (OPM) by the Department of Agriculture's Office of the Chief Financial Officer/National Finance Center (OCFO/NFC) as of August 31, 2011<sup>1</sup>.

Our objective was to perform the procedures detailed in the Office of Management and Budget (OMB) Bulletin 07-04, *Audit Requirements for Federal Financial Statements*, as amended<sup>2</sup>, to assist OPM in assessing the reasonableness of retirement, health, and life insurance withholdings/contributions, and employee data submitted by OCFO/NFC for the following entities: Department of Agriculture, Department of Commerce, Department of Homeland Security, Department of Housing and Urban Development, Department of Justice, Department of Labor, Department of the Treasury, Agency for International Development, and Small Business Administration. Our objective was also to assist OPM with identifying errors relating to processing and distributing Combined Federal Campaign payroll deductions.

Similar to last year, as part of OPM's step 2.j., we identified an error in the OCFO/NFC system's calculation of Option B life insurance withholdings, which mainly impacted customs officers in the Department of Homeland Security. This occurred because OCFO/NFC's system did not include premium pay for overtime inspection services as part of annual pay when calculating Option B life insurance withholdings. Also for step 6.d., we estimated that OCFO/NFC's calculation of Option B life insurance withholdings for the Department of Homeland Security should have been more than 2 percent higher. OCFO/NFC management informed us that OCFO/NFC had corrected this calculation error in PP 12, 2011, which was subsequent to the PPs included in our review.

We also identified differences of more than 2 percent when calculating the military deposit and salary offset headcounts as part of OPM's step 5.b. OCFO/NFC management told us that, while these are only memo entries reported to OPM and are not included in the total retirement headcount, OCFO/NFC will make the necessary modifications to the program to calculate the correct military deposit and salary offset headcounts.

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<sup>1</sup> We selected our samples from pay period (PP) 17 (August 15, 2010, through August 28, 2010), PP 25 (December 5, 2010, through December 18, 2010), and PP 4 (February 13, 2011 through February 26, 2011). PPs 17 and 4 coincided with the OPM 1523, *Supplemental Semiannual Headcount Report*, as of September 9, 2010, and March 10, 2011.

<sup>2</sup> OMB Bulletin 07-04, *Audit Requirements for Federal Financial Statements*, dated September 4, 2007, was amended by OMB Memorandum 09-33, *Technical Amendments to OMB Bulletin 07-04, Audit Requirements for Federal Financial Statements*, dated September 23, 2009.

In addition, our calculations of retirement withholding and contribution dollars performed for OPM's step 6.a., in some cases, identified differences of more than 5 percent in the Civil Service Retirement System and Federal Employees' Retirement System military deposit subtotals reported to OPM. OCFO/NFC management told us misallocations between the two retirement systems may occur in some instances when payments are manually processed, but these errors are identified and corrected in subsequent PPs.

Based on our review of documentation for individuals in our samples, we identified five errors for benefits entered into the system by staff of the entities. Furthermore, we were unable to verify the entries for 79 personnel documents tested in steps 2, 3, and 4 because the entities' personnel officers were unable to locate the documents. However, we performed the calculations for salary, retirement, life, and health insurance, where applicable, to ensure that information from the OCFO/NFC system was accurate. We noted no exceptions.

For step 7, we analyzed 101,395 records with Combined Federal Campaign (CFC) deductions reported by OCFO/NFC for PP 4, 2011, and noted that 73 of the records (or 0.07 percent) either had an invalid duty station or had valid duty stations but were in areas with no CFC. We also determined that the OCFO/NFC CFC code was not consistent with the OPM CFC code by duty station for 5,015 (or about 5 percent) of the 101,395 records we reviewed in step 9.

Additionally, for step 8, we identified an error rate of approximately 11 percent when we compared the name of the CFC, the Principal Combined Fund Organization, or address of the Principal Combined Fund Organization on the list of CFC areas from the OCFO/NFC system to the list of local CFC areas provided by OPM.

OCFO/NFC management provided the factors that may have contributed to CFC differences identified in this report and noted that while the identified differences result in some funds being forwarded to the wrong individual CFC areas, the total funds forwarded to United Way is accurate. OCFO/NFC management informed that they are willing to meet with the appropriate officials from United Way and OPM in an effort to make this process more efficient and accurate.

Details for these and the other steps we performed are provided in exhibit A.

## **Recommendation Summary**

We do not make any recommendations in this report.

# Independent Auditors' Report

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

We have performed the procedures described in exhibit A, which were agreed to by the Inspector General and Chief Financial Officer of the U.S. Office of Personnel Management (OPM), solely to assist OPM with respect to the employee withholdings and employer contributions reported by the Department of Agriculture's Office of the Chief Financial Officer/National Finance Center (OCFO/NFC) on the Standard Form 2812, *Report of Withholdings and Contributions for Health Benefits, Life Insurance, and Retirement*, and OPM 1523, *Supplemental Semiannual Headcount Report*<sup>3</sup>. The reports submitted by OCFO/NFC included information for the following entities listed in Appendix A of the Office of Management and Budget (OMB) Bulletin 07-04, *Audit Requirements for Federal Financial Statements*, as amended<sup>4</sup>: Department of Agriculture, Department of Commerce, Department of Homeland Security, Department of Housing and Urban Development, Department of Justice, Department of Labor, Department of the Treasury, Agency for International Development, and Small Business Administration.

The engagement to apply the Agreed-Upon Procedures was performed in accordance with applicable *Government Auditing Standards* and the *Statement of Standards for Attestation Engagements* established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Inspector General and the Chief Financial Officer of OPM. Consequently, we make no representations regarding the sufficiency of the procedures described either for the purpose for which this report has been requested or for any other purpose. The results of the engagement are detailed in exhibit A.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the withholdings and contributions for health benefits, life insurance, retirements; the Combined Federal Campaign; and the headcount reports prepared by OCFO/NFC. 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.

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<sup>3</sup>We selected our samples from pay period (PP) 17 (August 15, 2010, through August 28, 2010), PP 25 (December 5, 2010, through December 18, 2010), and PP 4 (February 13, 2011 through February 26, 2011). PPs 17 and 4 coincided with OPM 1523, *Supplemental Semiannual Headcount Report*, as of September 9, 2010, and March 10, 2011.

<sup>4</sup>OMB Bulletin 07-04, *Audit Requirements for Federal Financial Statements*, dated September 4, 2007, was amended by OMB Memorandum 09-33, *Technical Amendments to OMB Bulletin 07-04, Audit Requirements for Federal Financial Statements*, dated September 23, 2009.

This report is intended solely for use of the Inspector General and Chief Financial Officer of OPM and 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.

Gil H. Harden /s/  
Assistant Inspector General  
for Audit

September 20, 2011

## Abbreviations

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CFC	.....	Combined Federal Campaign
CSRS	.....	Civil Service Retirement System
FEGLI	.....	Federal Employees' Group Life Insurance
FEHB	.....	Federal Employees Health Benefits
FERS	.....	Federal Employees' Retirement System
NFC	.....	National Finance Center
OCFO	.....	Office of the Chief Financial Officer
OMB	.....	Office of Management and Budget
OPF	.....	official personnel file
OPM	.....	U.S. Office of Personnel Management
PP	.....	Pay Period
RITS	.....	Retirement and Insurance Transfer System
SF	.....	Standard Form

## Exhibit A: Procedures Performed and Results

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Exhibit A – Page 1 of 13

1. Compare the Retirement and Insurance Transfer System (RITS) submission data to the payroll information by performing the following procedures (Note: For cross-servicing agencies, if the internal controls are the same for all agencies serviced, it is only necessary to perform this procedure for one agency):
  - a. Recalculate the mathematical accuracy of the payroll information.
  - b. Recalculate the mathematical accuracy of the RITS submission for the payroll information in step 1.a.
  - c. Compare the employee withholding information at the aggregate level for retirement, health benefits, and life insurance (as adjusted for reconciling items) shown on the payroll information obtained in step 1.a. to the related amounts shown on the RITS submission for the corresponding period.

Report any differences for each of the retirement, health benefits, and life insurance (categories) for step 1.c. that are over 1 percent of the aggregate amount reported for each of the three categories. Obtain from management a management official name, an explanation, telephone number, and an email address for the differences above the 1 percent threshold.

### Results

There were no differences over 1 percent.

2. See sub-steps below.
  - a. Randomly select a total of 25 individuals who were in the payroll system for all three of the RITS submissions selected above that meet all of the following criteria:
    - Covered by the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS);
    - Enrolled in the Federal Employees Health Benefits (FEHB) Program;
    - Covered by Basic Life Insurance; and
    - Covered by at least one Federal Employees' Group Life Insurance (FEGLI) optional coverage (Option A, B, or C)
  - b. Obtain the following documents, either in electronic format or hard copy format, from the official personnel file (OPF) for each individual selected in step 2.a. Hard copies can be originals or certified copies.

## Exhibit A: Procedures Performed and Results

- All Notifications of Personnel Actions Standard Form-50 (SF) covering the pay periods in the RITS submissions chosen;
- The Health Benefits Election Form (SF-2809) covering the pay periods in the RITS submissions chosen or, if applicable, obtain a report (via the agency personnel office) from the agency’s automated system that allows participants to change benefits (e.g., Employee Express), for any health benefits transactions in that system for the individuals selected in step 2.a. (Note: A new SF-2809 is needed only if an employee is changing health benefit plans. Therefore, the form could be many years old). Also for health benefits, compare the date of transaction with the date on the certified copy of the SF-2809 or the agency’s automated system report obtained above to identify whether the health benefit information to be used in the step 2.f. covers the pay periods in the RITS submissions chosen; and
- The Life Insurance Election Form (SF-2817) covering the pay periods in the RITS submission chosen (note: a new SF-2817 is needed only if an employee is changing life insurance coverage; therefore, the form could be many years old).

### Results

Personnel officers were not able to locate the following 66 documents; however, we performed the calculations for salary, retirement, life, and health insurance in these cases to ensure that information from the Office of the Chief Financial Officer/National Finance Center (OCFO/NFC) system was accurate.

<b>ENTITY</b>	<b>SF-50</b>	<b>FEHB</b>	<b>Fegli</b>
Department of Agriculture	0	0	3
Agency for International Development	0	8	9
Department of Commerce	0	0	2
Department of Justice	3	3	2
Department of Labor	1	1	3
Department of Homeland Security	0	3	2
Department of Housing and Urban Development	0	3	3

## Exhibit A: Procedures Performed and Results

Exhibit A – Page 3 of 13

(Note: Table Continued from Previous Page)

ENTITY	SF-50	FEHB	FEGLI
Small Business Administration	3	11	6
Department of the Treasury	0	0	0
<b>TOTAL</b>	<b>7</b>	<b>29</b>	<b>30</b>

- c. For each individual selected in step 2.a., compare the base salary used for payroll purposes and upon which withholdings and contributions generally are based to the base salary reflected on the employee's SF-50. Report any differences resulting from this step and obtain management's explanation for the differences.

### Results

No exceptions were noted.

- d. For retirement for each individual selected in step 2.a., compare the retirement plan code from the employee's SF-50 to the plan code used in the payroll system. Report any differences resulting from this step and obtain management's explanation for the differences.

### Results

No exceptions were noted.

- e. For each individual selected in step 2.a., calculate the retirement amount to be withheld and contributed for the plan code from the employee's SF-50, by multiplying the base salary from the employee's SF-50 by the official withholding and contribution rates required by law. Compare the calculated amounts to the actual amounts withheld and contributed for the retirement plan. Report any differences resulting from this step and obtain management's explanation for the differences.

### Results

No exceptions were noted.

- f. For health benefits for each individual selected in step 2.a., compare the employee withholdings and agency contributions to the official subscription rates issued by the U.S. Office of Personnel Management (OPM) for the plan and option elected by the employee, as documented by a Health Benefits Election Form (SF-2809) in the employee's OPF or automated system that allows the participant to change benefits (e.g., Employee Express). Report any differences resulting from this step and obtain management's explanation for the differences.

## Exhibit A: Procedures Performed and Results

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### Results

No exceptions were noted.

- g. For life insurance for each individual selected in step 2.a., confirm that Basic Life Insurance was elected by the employee by inspecting the Life Insurance Election Form (SF-2817) documented in the employee's OPF. Report any differences resulting from this step and obtain management's explanation for the differences.

### Results

No exceptions were noted.

- h. For each individual selected in step 2.a., calculate the withholding and contribution amounts for Basic Life Insurance using the following:
  - For employee withholdings: round the employee's annual base salary up to the nearest thousand dollars and add \$2,000. Divide this total by 1,000 and multiply by the rate required by law. The life insurance rates are on OPM's website at <http://www.opm.gov/insure/life/rates/index.asp>.
  - For agency contributions: divide the employee withholdings calculated above by two.

Compare the calculated employee withholdings and agency contributions to the actual amounts withheld and contributed for Basic Life Insurance. Report any differences resulting from this step and obtain management's explanation for the differences.

### Results

No exceptions were noted.

- i. Also, for life insurance for each individual selected in step 2.a., compare optional coverage elected as documented on the SF-2817 in the employee's OPF to the optional coverage documented in the payroll system. Report any differences resulting from this step and obtain management's explanation for the differences.

### Results

We found two FEGLI codes in the payroll system that did not match the optional coverage elected on the SF-2817 - one each at the Department of the Treasury and Small Business Administration. Department of Treasury personnel confirmed the processing error and told us they were in the process of correcting the error. Small Business Administration personnel did not respond to our requests to confirm the error.

## Exhibit A: Procedures Performed and Results

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Exhibit A – Page 5 of 13

- j. For each individual selected in step 2.a., calculate the withholding amounts for optional life insurance using the following:
- For Option A: Locate the employee's age group using the age groups provided for Option A in the FEGLI Program Booklet. The withholding amount to be used is the rate listed in the FEGLI Program Booklet for that age group. Compare the calculated amount to the amount withheld for Option A Life Insurance. Report any differences resulting from this step and obtain management's explanation for the differences.

### Results

No exceptions were noted.

- For Option B: Inspect the SF-2817 to obtain the number of multiples chosen for Option B. Locate 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, divide it by 1,000, and then multiply it by the rate for the respective age group. Multiply this amount by the number of multiples chosen for Option B Life Insurance. Compare the calculated amount to the amount withheld for Option B Life Insurance. Report any differences resulting from this step and obtain management's explanation for the differences.

### Results

Similar to last year, we identified an error in the OCFO/NFC system's calculation of Option B life insurance withholdings, which mainly impacted customs officers in the Department of Homeland Security. This occurred because OCFO/NFC's system did not include premium pay for overtime inspection services as part of annual pay when calculating Option B life insurance withholdings. Of the employees we randomly selected for OPM's step 2, three were customs officers who elected Option B, and all three of their withholdings for Option B for the three pay periods we audited were approximately 11 to 19 percent lower than what they should have been due to this exclusion.

OCFO/NFC officials informed that a system modification was made to correct the calculation error in pay period (PP) 12, 2011, which was subsequent to the PPs included in our review.

- For Option C: Inspect the SF-2817 to obtain the number of multiples chosen for Option C. Locate 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 for Option C Life Insurance. Compare the calculated amount to the amount withheld for Option C Life Insurance. Report

## Exhibit A: Procedures Performed and Results

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any differences resulting from this step and obtain management's explanation for the differences.

### Results

No exceptions were noted.

3. Randomly select a total of 10 employees who have no health benefits withholdings from the payroll information corresponding to the three RITS submissions selected above and perform the following for each employee selected.
  - a. Obtain SF-2809s covering the PPs in the RITS submissions chosen, either in electronic or hard copy format, from the selected employee's OPF or, if applicable, obtain a report (via the agency personnel office) from the agency's automated system that allows participants to change benefits (e.g., Employee Express) for any health benefit transactions in that system for the individuals selected. Hard copies can be originals or certified copies. Inspect the documentation (that is, SF-2809 or the agency's system-generated report) to identify whether health benefits coverage was not elected. This can be identified in the following ways:
    - Absence of an SF-2809 in the OPF and no election of coverage made through the agency's automated system that allows participants to change benefits (e.g., Employee Express); or
    - An SF-2809 in the OPF with Section E checked (indicating cancellation of coverage) and no later election of coverage through the agency's automated system that allows participants to change benefits (e.g., Employee Express); or
    - Cancellation of coverage through the agency's automated system that allows participants to change benefits (e.g., Employee Express) and no later election of coverage with an SF-2809.
  - b. Compare the result in step 3.a. to the RITS submissions. Report any differences resulting from this step and obtain management's explanation for the differences.

### Results

Personnel officers could not locate four of the SF-2809 in the employees' OPFs (one each at the Department of Commerce, Justice, Labor, and Housing and Urban Development). We also noted that the correct health insurance deductions were not withheld from two Agency for International Development employees' salaries even though they submitted the SF-2809 forms electing health insurance. We attributed these two errors to agency personnel not processing the SF-2809 timely. No other exceptions were noted.

## Exhibit A: Procedures Performed and Results

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4. Randomly select a total of 10 employees who have no life insurance withholdings from the payroll information corresponding to the three RITS submissions selected above and perform the following for each employee selected.
  - a. Obtain the SF-2817s covering the PPs in the RITS submission chosen, either in electronic or hard copy format, from the selected employee's OPF. Hard copies can be originals or certified copies. Inspect the SF-2817 to identify that the employee waived or canceled Basic Life Insurance coverage.
  - b. Compare the result in step 4.a. to the RITS submissions. Report any differences resulting from this step and obtain management's explanation for the differences.

### Results

The personnel officers could not locate nine of the forms (four at the Agency for International Development, two at the Department of Homeland Security, and one each at the Department of Commerce, Justice, and Housing and Urban Development). We also identified an administrative error at the Department of Commerce where an employee should have had withholdings from his salary for automatic basic life insurance coverage. Agency personnel informed us that they corrected the error and billed the employee for the missed premiums. No other exceptions were noted.

5. Calculate the headcount reflected on the September 2010 and March 2011 *Supplemental Semiannual Headcount Report* selected, as follows:
  - a. Obtain existing payroll information (from step 1.a.) supporting each *Supplemental Semiannual Headcount Report*. If existing payroll data are not available, obtain a payroll system query that summarizes detailed payroll data supporting each *Supplemental Semiannual Headcount Report*, as follows:
    - Benefit category (see *Supplemental Semiannual Headcount Report*),
    - Dollar amount of withholdings and contributions,
    - Number enrolled (deductions made/no deductions),
    - Central personnel data file code, and
    - Aggregate base salary.
  - b. Recalculate the headcount reflected on each *Supplemental Semiannual Headcount Report*. If an electronic file is not available, a suggested method of recalculating the headcount is as follows: (1) estimate the number of employees per payroll register page by counting the employees listed on several pages, (2) count the number of pages in the payroll register, and (3) multiply the number of employees per page by

## Exhibit A: Procedures Performed and Results

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- the number of pages, or count (using a computer audit routine) the number of employees on the payroll data file for the period.
- c. Compare the payroll information obtained in step 5.a. and the calculated headcount from step 5.b. to the information shown on each respective *Supplemental Semiannual Headcount Report*.
  - d. Report any differences (i.e., gross rather than net) greater than 2 percent between the headcount reporting on each respective agency *Supplemental Semiannual Headcount Report* and payroll information from step 5.a. and the calculated headcount from step 5.b. Obtain from management a management official name, telephone number, and an email address, and an explanation for the differences.

### Results

There were no differences greater than 2 percent, except our calculations for the military deposit and salary offset headcounts generally differed by more than 2 percent from the corresponding CSRS and FERS subtotals reported on the *Supplemental Semiannual Headcount Report*. OCFO/NFC management told us that, while these are only memo entries reported to OPM and are not included in the total retirement headcount, OCFO/NFC will make the necessary modifications to the program to calculate the correct military deposit and salary offset headcounts.

6. Calculate employer and employee contributions for retirement, health benefits, and life insurance as follows:
  - a. Calculate retirement withholdings and contributions for the three PPs selected in step 1.a. as follows:
    - i. Multiply the CSRS and FERS payroll base by the withholding and employer contribution rates required by law.
    - ii. Compare the calculated totals from step 6.a.i. to the related amounts shown on the RITS submissions. Report any differences (i.e., gross rather than net) between the calculated amounts and the amounts reported on the RITS submissions that are greater than 5 percent of the amounts on the RITS submission, and obtain management's explanation for the differences.

### Results

There were no differences greater than 5 percent, except in some cases, our calculation of a military deposit dollar subtotal differed by more than 5 percent from the corresponding CSRS or FERS subtotal reported on the *Supplemental Semiannual Headcount Report*. OCFO/NFC personnel told us that misallocations between FERS and CSRS may occur if

## Exhibit A: Procedures Performed and Results

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errors were made when payments were manually processed, but the errors are identified and corrected in subsequent PPs.

- b. Calculate the employee withholdings and employer contributions for health benefits for the three PPs selected in step 1.a., as follows:
  - i. Multiply the number of employees enrolled in each health benefits plan and plan option by the employee withholdings and employer contributions for the plan and option.
  - ii. Sum the totals in step 6.b.i. and compare the result with the health benefit withholding and contribution amounts shown on the RITS submissions. Report any differences (i.e., gross rather than net) between the calculated amounts and the amounts reported on the RITS submissions that are greater than 5 percent of the amounts on the RITS submission, and obtain management's explanation for the differences.

### Results

There were no differences greater than 5 percent.

- c. Calculate the basic life insurance employee withholdings and employer contributions for the three PPs selected in step 1.a., as follows:
  - i. Obtain a payroll system query from agency payroll provider personnel to obtain the total number of employees with Basic Life Insurance coverage and the aggregate annual basic pay for all employees with basic life insurance.
  - ii. For employee withholdings: Add the product of 2,000 times the number of employees with Basic Life Insurance coverage from step 6.c.i. above to the aggregate annual basic pay for all employees with Basic Life Insurance from step 6.c.i above to calculate the estimated total Basic Life Insurance coverage. Divide this calculated total by 1,000 and multiply it by the withholding rate required by law. The Life Insurance withholding rates are in the FEGLI Program Booklet on OPM's website.
  - iii. Compare the result in step 6.c.ii to the withholdings for Basic Life Insurance coverage reported on the RITS submission. Report any difference (i.e., gross rather than net) between the estimate and the amount of withholdings reported on the RITS submission greater than 5 percent of the amounts on the RITS submission, and obtain management's explanation for the difference.

## Exhibit A: Procedures Performed and Results

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### Results

There were no differences greater than 5 percent.

- iv. For agency contributions: Divide the results of step 6.c.ii. by two – this approximates agency contributions, which are one-half of employee withholdings. Compare this result to the amount reported on the RITS submission. Report any differences (i.e., gross rather than net) between the estimated amount and the actual amount reported on the RITS submission that are greater than 5 percent of the amounts on the RITS submission, and obtain management’s explanation for the differences.

### Results

There were no differences greater than 5 percent.

- d. Calculate the Option A, Option B, and Option C Life Insurance coverage withholdings for the three PPs selected by using the detail payroll reports used to reconcile the RITS reports in step 1. In addition to the information used for step 1, the reports should include the employee’s date of birth, annual rate of basic pay, and the number of multiples selected for Option B and C. Note: While similar to step 2.j., the calculation at this step is for the entire amount reported on the RITS submissions for the three PPs selected, as opposed to the sample of 25 employees in step 2.j.
  - i. Multiply the number of employees in each age group by the appropriate rate for Option A in accordance with the rates for the age groups provided in the FEGLI Program Booklet.
  - ii. Compare the result in step 6.d.i. to the amounts for Option A reported on the RITS submissions. Report any differences (i.e., gross rather than net) greater than 2 percent of the amounts on the RITS submission, and obtain management’s explanation for the differences.

### Results

There were no differences greater than 2 percent.

- iii. Segregate 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, then divide it by 1,000, and then multiply this amount by the rate for the age group by then multiplying this by the number of multiples:

(Annual rate of basic pay (rounded up)/1,000\*rate\*multiples).

## Exhibit A: Procedures Performed and Results

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For Option C, multiply the rate for the age group by the number of multiples chosen for each employee.

- iv. Compare the result in step 6.d.iii. to the amounts for Option B and Option C, respectively, reported on the RITS submissions. Report any differences (i.e., gross rather than net) greater than 2 percent of the amounts on the RITS submissions for Option B or Option C, and obtain management's explanation for the differences.

### Results

Similar to last year, as part of OPM's step 6.d., we estimated that OCFO/NFC's calculation of Option B life insurance withholdings for the Department of Homeland Security should have been more than 2 percent higher. This occurred because OCFO/NFC's system did not include premium pay for overtime inspection services as part of annual pay when calculating Option B life insurance withholdings and mainly impacted customs officers in the Department of Homeland Security. OCFO/NFC management informed us that OCFO/NFC had corrected this calculation error in PP 12, 2011, which was subsequent to the PPs included in our review. (See step 2j results.) No other exceptions were noted.

7. Compare the list of field offices/duty stations to the list of local Combined Federal Campaign (CFC) campaigns obtained from OPM's Office of CFC Operations. Determine in which campaign each field office/duty station is located. (Note: It is possible for a field office/duty station to be in a location with no local CFC campaign.)

Report all instances of the following as findings: A federal agency has a CFC deduction for an employee whose official duty station is in an area with no local CFC campaign.

### Results

We analyzed 101,395 records with CFC deductions reported by OCFO/NFC for PP 4, 2011, and noted that 73 (or 0.07 percent) of the records either had an invalid duty station or had valid duty stations but were in areas with no CFC. (Of the 73 records, 27 had one invalid duty station code, and 46 had valid duty station codes but were in areas with no CFCs.) Without knowing the valid duty station code, we could not determine the correct CFC code using OPM's duty station-to-CFC crosswalk. See step 9 results for OCFO/NFC management's response.

8. Compare the list of accounting codes to the identified campaigns for each field office/duty station.
  - a. Determine the accounting code for each field office/duty station.

## Exhibit A: Procedures Performed and Results

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Exhibit A – Page 12 of 13

- b. Determine the name of the campaign, the Principal Combined Fund Organization, and address of the Principal Combined Fund Organization in the agency payroll provider's system agree with the information for that field office/duty station on the list of local CFC campaigns obtained from OPM's Office of CFC Operations.

Report all instances of the following as findings: The name of the campaign, Principal Combined Fund Organization, or address of the Principal Combined Fund Organization on the list of accounting codes from the Federal agency payroll provider office does not agree to the information on the list of all local CFC campaigns obtained from OPM's Office of CFC Operations.

### Results

We identified an error rate of approximately 11 percent when we compared the name of the CFC campaign, Principal Combined Fund Organization, or address of the Principal Combined Fund Organization on the list of CFC areas from the OCFO/NFC system to the list of local CFC areas provided by OPM. See step 9 results for OCFO/NFC management's response.

9. Sort the report of all employees with CFC deductions by official duty station.
  - a. Compare the official duty stations to the campaigns identified for those locations.
  - b. Compare the accounting codes for each employee with CFC deductions to the accounting code identified for that employee's official duty station. Determine if this agrees with the accounting code identified for that filed/duty station.

Report all instances of the following as findings: The accounting code for an employee with CFC deductions does not agree to the accounting code for that employee's official duty station.

### Results

Of the 101,395 records with CFC deductions reported by OCFO/NFC for PP 4, 2011, we determined that the OCFO/NFC CFC code was not consistent with the OPM CFC code by duty station for 5,015 (or about 5 percent) of the records.

OCFO/NFC management provided the following response for the CFC results in steps 7 through 9:

## Exhibit A: Procedures Performed and Results

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Exhibit A – Page 13 of 13

The following factors may have contributed to differences identified in this report:

OPM provides a campaign code to identify the various CFC campaign areas. OCFO/NFC uses a State/City code (Table Management System, Table 6) combination to identify various CFC campaign areas. On OPM's list, there could be more than one campaign associated with a particular State/City. OPM is using a "duty station to CFC campaign" crosswalk to identify the CFC campaign area associated with an employee's duty station. However, the CFC form does not capture duty station information, so it is up to agency personnel who enter the CFC information in the system to determine the correct campaign area.

OCFO/NFC enters CFC information for its employees only, which represents 0.54 percent of all employees serviced by OCFO/NFC with CFC contributions. Each customer agency is responsible for entering their own employees' CFC data, which represents the remaining 99.46 percent of CFC contributors. Because of the problems stated above, and the fact the CFC is a once a year entry process, the majority of differences may be the direct result of input errors by agency personnel unfamiliar with the process.

There may be some additional differences resulting from employees completing CFC forms while in one duty location, and then transferring to another duty location. That would result in their current duty station not matching with the previously chosen CFC campaign.

While the total funds forwarded to United Way is accurate, the identified differences result in some funds being forwarded to the wrong individual CFC campaigns.

OCFO/NFC is willing to meet with the appropriate officials from United Way and OPM in an effort to make this process more efficient and accurate. Some steps that may improve the accuracy of the process are:

- The CFC form should be revised to include the duty station, and OPM should provide clear guidance to use the duty station when determining the campaign area.
- OCFO/NFC and OPM should work together to reconcile campaign codes and duty station information prior to providing that information to the agencies for the CFC campaign.