



ATTESTATION REPORT

Independent Report on Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the U.S. Office of Personnel Management

September 11, 2020





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**Attestation Report - Independent Report on Employee Benefits,
Withholdings, Contributions, and Supplemental Semiannual Headcount
Reporting Submitted to the U.S. Office of Personnel Management**

Report Number 20-224-R20

OBJECTIVE:

We performed procedures agreed upon by the U.S. Office of Personnel Management's (OPM) Inspector General and the OPM's Chief Financial Officer. This attestation engagement is an annual requirement of the U.S. Office of Management and Budget.

Our objective was to assist the OPM in assessing the reasonableness of U.S. Postal Service employee health benefits, life insurance, and retirement withholdings; Postal Service benefit contributions; and enrollment information submitted via the headcount report.

This report is not suitable for any other purpose.

FINDINGS:

We performed the procedures agreed upon by the OPM's Inspector General and the Chief Financial Officer to assist the OPM in assessing the reasonableness of health benefits, life insurance, and retirement withholdings; Postal Service benefit contributions; and enrollment information submitted via the headcount report.

We identified issues related to life insurance elections, aggregate base salary, and life insurance reporting.

Specifically:

- The life insurance election for one of 25 employees reviewed was erroneously processed by the Postal Service.

- The difference between our recalculated aggregate base salary for Federal Employee Retirement System (FERS)-Revised Annuity Employees and that reported by the Postal Service for one of two headcount reports was 2.23 percent. The OPM requires we report any differences greater than 2 percent.
- The difference between our recalculated aggregate base salary for FERS-Further Revised Annuity Employees and FERS Law Enforcement employees and that reported by the Postal Service for both headcount reports was 29.77 percent. The OPM requires we report any differences greater than 2 percent.
- The difference between our recalculated withholdings for Option C – Family Life Insurance and withholdings reported by the Postal Service for two of three selected pay periods was 4.08 percent. The OPM requires we report any differences greater than 2 percent.

As a result of our engagement, the Postal Service took corrective action on two of the four findings identified in this report related to Life Insurance Coverage and Aggregate Base Salary – Manual Error.

The aggregate base salary for FERS Revised Annuity Employees and optional life insurance withholdings findings are result of methodology differences recognized by the OPM. Neither of these findings require Postal Service action.

We were not engaged to perform, and did not perform, an examination or review, the objective of which would have been the expression of an opinion or conclusion, respectively, on the withholdings and contributions for health benefits, life insurance, and retirement, or enrollment information. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, we might have found other matters that we would have reported.

RECOMMENDATIONS:

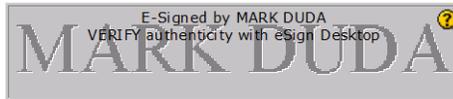
This report is provided for information only, and we offered no recommendations. Accordingly, no management action is required.

[Link to review the entire report](#)



September 11, 2019

MEMORANDUM FOR: ISAAC S. CRONKHITE
CHIEF HUMAN RESOURCES OFFICER
AND EXECUTIVE VICE PRESIDENT



FROM: Mark W. Duda
Assistant Inspector General for Audit

SUBJECT: Attestation Report - Independent Report on Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the U.S. Office of Personnel Management (Report Number 20-224-R20)

Attached is a copy of the subject report provided to the U.S. Office of Personnel Management (OPM) Office of Inspector General (OIG) (Project Number 20-224). This report is provided for information only and requires no management action.

At the request of the OPM OIG, we performed the agreed-upon procedures in accordance with attestation standards established by the American Institute of Certified Public Accountants and generally accepted government auditing standards. The purpose of this report is to assist the OPM in assessing the reasonableness of health benefits, life insurance, and retirement withholdings and contributions; and enrollment information submitted via the headcount report. This report is not suitable for any other purpose.

We were not engaged to perform, and did not perform, an examination or review, the objective of which would have been the expression of an opinion or conclusion, respectively, on the withholdings and contributions for health benefits, life insurance, and retirement, and enrollment information. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, we might have found other matters that we would have reported.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact John E. Cihota, Deputy Assistant Inspector General for Finance and Pricing, or Lorie Nelson, Director, Finance, at 703-248-2100.

Attachment

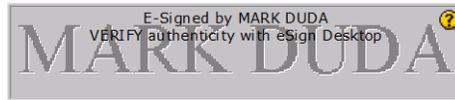
cc: Corporate Audit Response Management
Postmaster General



September 11, 2020

MEMORANDUM FOR: HONORABLE NORBERT E. VINT
ACTING INSPECTOR GENERAL
U.S. OFFICE OF PERSONNEL MANAGEMENT

DENNIS D. COLEMAN
CHIEF FINANCIAL OFFICER
U.S. OFFICE OF PERSONNEL MANAGEMENT



FROM: Mark W. Duda
Assistant Inspector General for Audit
U.S. Postal Service Office of Inspector General

SUBJECT: Attestation Report - Independent Report on Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the U.S. Office of Personnel Management (Report Number 20-224-R20)

This report presents the results of our performance of the procedures agreed upon by the Inspector General and the Chief Financial Officer of the U.S. Office of Personnel Management (OPM) (Project Number 20-224).

At the request of the OPM Office of Inspector General, we performed the agreed-upon procedures in accordance with attestation standards established by the American Institute of Certified Public Accountants and generally accepted government auditing standards. The purpose of this report is to assist the OPM in assessing the reasonableness of health benefits, life insurance, and retirement withholdings and contributions; and enrollment information submitted via the headcount report. This report is not suitable for any other purpose.

We were not engaged to perform, and did not perform, an examination or review, the objective of which would have been the expression of an opinion or conclusion, respectively, on the withholdings and contributions for health benefits, life insurance, and retirement, and enrollment information. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, we might have found other matters that we would have reported.

If you have any questions or need additional information, please contact John E. Cihota, Deputy Assistant Inspector General for Finance and Pricing, or Lorie Nelson, Director, Finance, at 703-248-2100.

Attachment

cc: Michael R. Esser
Nicole E. Brown-Fennel

Table of Contents

Introduction/Objective.....	1
Background	1
Finding #1: Life Insurance Coverage	2
Finding #2: Aggregate Base Salary – Reporting Discrepancy	2
Finding #3: Aggregate Base Salary – Manual Error.....	3
Finding #4: Optional Life Insurance Withholdings.....	5
Appendix A: Additional Information	7
Scope and Methodology	7
Prior Audit Coverage	8
Appendix B: Agreed-Upon Procedures Results	9
Attachment A: Agreed Upon Procedures	10

Introduction/Objective

This report presents the results of our performance of the procedures agreed upon by the Inspector General and the Chief Financial Officer of the U.S. Office of Personnel Management (OPM) (Project Number 20-224). The report responds to the U.S. Office of Management and Budget's (OMB) requirements to assist the OPM in assessing the reasonableness of employee withholdings and U.S. Postal Service contributions reported in the *Report of Withholdings and Contributions for Health Benefits, Life Insurance and Retirement*. We applied the agreed-upon procedures to the payroll periods ended August 30, 2019, January 31, 2020, and February 28, 2020; and the enrollment information reported in the *Supplemental Semiannual Headcount Report* (headcount report) for September 2019 and March 2020.

Our objective was to assist the OPM in assessing the reasonableness of Postal Service employee retirement, health benefits, and life insurance withholdings; Postal Service benefit contributions; and enrollment information submitted via the headcount report by the Postal Service. See [Appendix A](#) for additional information about this engagement.

Background

Postal Service management is responsible for withholdings and contributions reported in the *Report of Withholdings and Contributions for Health Benefits, Life Insurance and Retirement*; and the enrollment information reported in the headcount report. The sufficiency of the agreed-upon procedures is solely the responsibility of the OPM's Inspector General and Chief Financial Officer. Consequently we make no representation regarding the sufficiency of the agreed-upon procedures either for the purpose for which this report has been requested or any other purpose. See [Attachment A](#) for a description of the procedures.

This attestation engagement is an annual requirement of the OMB's Circular Number A-136, *Financial Reporting Requirements*, and Bulletin 19-03, *Audit Requirements for Federal Financial Statements*. The OPM administers health, life insurance and retirement benefits for federal agencies.

Postal Service Accounting Services in Eagan, MN, is responsible for calculating, disbursing, and reporting employee withholdings and Postal Service contributions for health benefits, life insurance, and retirement. As of February 28, 2020, the Postal Service employed more than 631,000 people (about 478,000 with benefits).

During each of the three payroll periods we reviewed,¹ the Postal Service withheld an average of more than \$100 million and contributed over \$300 million toward benefits. The Postal Service transmitted these funds to the OPM via the Retirement and

¹ These periods covered 107,850 employees not enrolled in health benefits and 545 employees who waived life insurance coverage in all three pay periods reviewed.

Insurance Transfer System (RITS) and prepared the *Report of Withholdings and Contributions for Health Benefits, Life Insurance and Retirement* for each payroll period detailing the amount associated with each benefit category. Additionally, the Postal Service submitted the headcount report to the OPM detailing the number of employees associated with each benefit category for September 2019 and March 2020.

Finding #1: Life Insurance Coverage

Life insurance election for one of 25 employees² was erroneously recorded and processed by the Postal Service due to an administrative error. We noted the discrepancy during a comparison of optional coverage elected on the *Life Insurance Election Form* in the employee's electronic Official Personnel Folder (eOPF)³ to the optional coverage documented in the payroll system.⁴ The Postal Service recorded an incorrect optional insurance causing the employee to overpay the life insurance premium since March 1995. The OPM requires we report any differences and obtain management's explanation for the differences.

According to the Federal Employees' Group Life Insurance (FEGLI) incontestability clause,⁵ if the erroneous coverage remained in force for two years or more and the error was not detected and corrected within that two-year period, the enrollment continues. Employee may cancel the erroneous coverage if the incontestability clause applies. However, the cancellation is prospective and there is no refund of premiums.

The Postal Service Human Resources Shared Service Center (HRSSC)⁶ confirmed the erroneous coverage due to administrative error. As a result of our engagement, HRSSC personnel completed a FEGLI "Incontestability – Note to File" to serve as the official record of the employee's election and sent notification informing employee about the erroneous coverage.

Finding #2: Aggregate Base Salary – Reporting Discrepancy

Recalculating the two headcount reports,⁷ we determined the Postal Service erroneously reported Federal Employee Retirement System (FERS)-Revised Annuity Employees (RAE) aggregate base salary on the March 2020 headcount report. We found no issues with the September 2019 headcount report.

² Procedure 2.i. and 2.j.

³ The eOPF documents an individual's employment history. Generally, when a document is scanned into eOPF, the scanned image becomes the official record of the document.

⁴ All employees are compensated bi-weekly through the payroll systems, and all pay compensation rules and employee pay history are maintained there.

⁵ Provision of law allows erroneous coverage to remain in effect if the coverage has been in effect for at least two years between the time the error was made and the time the error is discovered; and applicable premiums must have been paid for the erroneous coverage while it was in effect.

⁶ The national operational and processing center for personnel actions located in Greensboro, NC. The HRSSC also provides a call center staffed by Human Resources specialists and provides self-service options that employees use to manage their benefits.

⁷ Procedure 5.c.

Our analysis showed the Postal Service overstated aggregate base salary by over \$362,000 in March 2020, which exceeded the OPM’s reportable threshold. This occurred because:

- The Postal Service calculated the aggregate base salary and reported to the OPM by dividing the total dollar amount of employee contributions by the applicable employee contribution retirement rate for FERS-RAE rather than utilizing actual base salaries.
- The Postal Service included prior period payroll adjustments in the aggregate base salary calculation. The methodology specified by the OPM to report aggregate base salary does not account for prior period payroll adjustments.

Postal Service management stated that prior period payroll adjustments are a common occurrence. When we accounted for prior period payroll adjustments, the variance was within the allowable threshold. The OPM requires we report any differences greater than 2 percent and obtain management’s explanation for the differences. See [Table 1](#) for a breakdown of the aggregate base salary and variances.

Table 1. FERS-RAE Aggregate Base Salary for March 2020

Benefit Category	Per Headcount Report	Per OIG ⁸ Recalculation	Variance	Variance Percentage ⁹	Prior Period Payroll Adjustments	Variance with Payroll Adjustments
Regular Withholdings-RAE	\$16,223,925	\$15,861,587	\$362,338	2.23%	\$75,751	1.77%

Source: March 2020 headcount report, Postal Service Payroll Systems; and adjustments provided by the Postal Service.

Finding #3: Aggregate Base Salary – Manual Error

Recalculating the two headcount reports,¹⁰ we determined the Postal Service erroneously reported FERS-Further Revised Annuity Employees (FRAE) and FERS Law Enforcement employees aggregate base salary on the September 2019 and March 2020 headcount reports. Our analysis showed the Postal Service overstated aggregate base salary by more than \$255 million combined in September 2019 and March 2020, which exceeded the OPM’s reportable threshold for FERS-FRAE and FERS Law Enforcement employees. This occurred during the transition to the OPM’s new headcount process beginning with the pilot program for the September 2019 headcount. The Postal Service erroneously referenced an out-of-date spreadsheet while updating the applicable template to the new format. The OPM requires we report any differences greater than 2 percent and obtain management’s explanation for the differences. See [Table 2](#) for a breakdown of the aggregate base salary and variances.

⁸ The U.S. Postal Service Office of Inspector General (OIG).

⁹ The OPM allowed a 2 percent tolerance.

¹⁰ Procedure 5.c.

Table 2. FERS-FRAE and Law Enforcement Employees Aggregate Base Salary

Benefit Category	Reporting Period	Per Headcount Report	Per OIG Recalculation	Variance	Variance Percentage ¹¹
Regular Withholdings-FRAE	September 2019	\$408,455,031	\$286,575,650	\$121,879,381	29.84%
Law Enforcement / Firefighters Withholdings-FRAE	September 2019	1,467,896	1,081,869	386,027	26.30%
Regular Withholdings-FRAE	March 2020	446,087,626	313,451,851	132,635,775	29.73%
Law Enforcement / Firefighters Withholdings-FRAE	March 2020	1,655,625	1,220,313	435,312	26.29%
Total		\$857,666,178	\$602,329,683	\$255,336,495	29.77%

Source: September 2019 and March 2020 headcount report and Postal Service Payroll Systems.

The Postal Service confirmed the erroneous submission of the headcount report. As a result of our engagement, the Postal Service corrected the instructions and the template for future headcount calculations. When we accounted for the updated aggregate base salary, the variances were within the allowable threshold. The OPM does not require an amended headcount report. See [Table 3](#) for an updated breakdown of the aggregate base salary and variances.

Table 3. Updated FERS-FRAE and Law Enforcement Employees Aggregate Base Salary

Benefit Category	Reporting Period	Per Headcount Report	Per OIG Recalculation	Variance	Variance Percentage ¹²
Regular Withholdings-FRAE	September 2019	\$287,775,136	\$286,575,650	\$1,199,486	0.42%
Law Enforcement / Firefighters Withholdings-FRAE	September 2019	1,078,454	1,081,869	3,415	0.32%
Regular Withholdings-FRAE	March 2020	314,289,009	313,451,851	837,158	0.27%
Law Enforcement / Firefighters Withholdings-FRAE	March 2020	1,216,378	1,220,313	3,935	0.32%
Total		\$604,358,977	\$602,329,683	\$2,029,294	0.34%

Source: September 2019 and March 2020 headcount report, Postal Service Payroll Systems; and adjustments provided by the Postal Service.

¹¹ The OPM allowed a 2 percent tolerance.

¹² The OPM allowed a 2 percent tolerance.

Finding #4: Optional Life Insurance Withholdings

Our recalculation of FEGLI Option C – Family Life Insurance¹³ withholdings reported on the *Report of Withholdings and Contributions for Health Benefits, Life Insurance and Retirement*, differed from the Postal Service’s reported amount by 2.09 percent and 6.19 percent for pay periods ended August 30, 2019, and January 31, 2020, respectively.¹⁴ These variances occurred because the Postal Service included prior period payroll adjustments in the reported amount. The methodology specified by the OPM to calculate Option C – Family Life Insurance withholdings¹⁵ does not account for prior period payroll adjustments. Postal Service management stated that these adjustments are a common occurrence. When we accounted for prior period payroll adjustments, variances were within the allowable threshold. The OPM requires we report any differences greater than 2 percent and obtain management’s explanation for the differences. See [Table 4](#) for FEGLI Option C – Family Life Insurance withholdings variance.

Table 4. FEGLI Option C – Family Life Insurance Withholdings Variance

Payroll Period Ending	Employee Withholdings	OIG Recalculation	Variance	Variance Percentage ¹⁶	Prior Period Payroll Adjustments	Variance with Payroll Adjustments
August 30, 2019	\$566,570	\$578,387	\$11,817	2.09%	\$8,513	0.58%
January 31, 2020	535,923	569,104	33,181	6.19%	23,723	1.76%
Total	\$1,102,493	\$1,147,491	\$44,998	4.08%	\$32,236	1.16%

Source: OIG analysis, Postal Service Payroll Systems, and adjustments amounts provided by the Postal Service.

As a result of our engagement, the Postal Service took corrective action on two of the four findings identified in this report related to Life Insurance Coverage and Aggregate Base Salary – Manual Error. The Aggregate Base Salary – Reporting Discrepancy and Optional Life Insurance Withholdings findings resulted from methodology differences recognized by the OPM. Neither of these findings require Postal Service corrective action. Additionally, Postal Service management informed us they plan to require branch manager review of the *Report of Withholdings and Contributions for Health Benefits, Life Insurance and Retirement* and the headcount report and separately perform the agreed-upon procedures to ensure accuracy of the information. See [Appendix B](#) for a summary of all agreed-upon procedures performed.

We were not engaged to perform, and did not perform, an examination or review, the objective of which would have been the expression of an opinion or conclusion, respectively, on the withholdings and contributions for health benefits, life insurance, and retirement, and enrollment information. Accordingly, we do not express such an

¹³ Option C - Family Life Insurance may be elected to cover eligible family members. Up to five multiples may be elected. A multiple is equal to \$5,000 for a spouse or \$2,500 for a dependent child.

¹⁴ Procedure 6.d.

¹⁵ Rate for the age group multiplied by the number of multiples chosen.

¹⁶ The OPM allowed a 2 percent tolerance.

opinion or conclusion. Had we performed additional procedures, we might have found other matters to report.

The purpose of this report is to assist the OPM with assessing the reasonableness of health benefits, life insurance, and retirement withholdings and contributions, and enrollment information submitted via the headcount report. This report is not suitable for any other purpose.

This report is provided for information only and requires no management action. We offered no recommendations.

Appendix A: Additional Information

Scope and Methodology

To accomplish our objective, we applied the agreed-upon procedures to the payroll periods ending August 30, 2019, and February 28, 2020, coinciding with the headcount reports for September 2019 and March 2020, respectively. We randomly selected another payroll period, ending January 31, 2020, for additional testing.

We confirmed RITS data by verifying payroll source documents. We reviewed personnel documents for 45 employees to verify salaries, retirement, and the election or non-election of health benefits and life insurance. For all employees, we independently calculated employee withholdings, Postal Service contributions, and enrollment information for health benefits, life insurance, and retirement. We compared the results to actual employee withholdings and Postal Service contributions submitted to the OPM to determine whether differences existed.

We conducted this engagement from April through September 2020 in accordance with generally accepted government auditing standards and the American Institute of Certified Public Accountants attestation standards. We discussed our observations and conclusions with management officials on September 9, 2020, and included their comments where appropriate.

We relied on computer-generated data from the Postal Service's Payroll Systems. To validate the data, we traced the basic pay and benefit categories for selected employees to supporting documentation and compared the results to the computer-generated data. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date
<p><i>Independent Report on Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the U.S. Office of Personnel Management</i></p>	<p>Help the OPM assess the reasonableness of employee benefit withholdings and Postal Service benefit contributions in the <i>Report of Withholdings and Contributions for Health Benefits, Life Insurance and Retirement</i>, as well as enrollment information in the <i>Supplemental Semiannual Headcount Report</i>.</p>	<p>FT-AT-19-001</p>	<p>9/10/2019</p>
<p><i>Independent Report of Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the Office of Personnel Management</i></p>	<p>Help the OPM assess the reasonableness of employee benefit withholdings and Postal Service benefit contributions in the <i>Report of Withholdings and Contributions for Health Benefits, Life Insurance and Retirement</i>, as well as enrollment information in the <i>Supplemental Semiannual Headcount Report</i>.</p>	<p>FT-AT-18-001</p>	<p>9/7/2018</p>
<p><i>Independent Report of Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the Office of Personnel Management</i></p>	<p>1. Help the OPM assess the reasonableness of employee benefit withholdings and Postal Service benefit contributions in the <i>Report of Withholdings and Contributions for Health Benefits, Life Insurance and Retirement</i>, as well as enrollment information in the <i>Supplemental Semiannual Headcount Report</i>.</p> <p>2. Confirm CFC program accounting codes and payroll data with OPM records.</p>	<p>FT-AR-17-011</p>	<p>9/12/2017</p>

Appendix B: Agreed-Upon Procedures Results

Procedure	Finding
1. Compare RITS submission data to the payroll information by performing the following procedures.	
1.a	No Exceptions
1.b	No Exceptions
1.c	No Exceptions
2. Perform detail testing of a random sample of transactions as follows.	
2.a	No Exceptions
2.b	No Exceptions
2.c	No Exceptions
2.d	No Exceptions
2.e	No Exceptions
2.f	No Exceptions
2.g	No Exceptions
2.h	No Exceptions
2.i	See Finding #1: Life Insurance Coverage
2.j	See Finding #1: Life Insurance Coverage
3. Randomly select a total of 10 employees who do not have Health Benefits withholdings from the payroll information corresponding to the three RITS submissions selected above and perform the following for each employee selected.	
3.a	No Exceptions
3.b	No Exceptions
4. Randomly select 10 employees who do not have Life Insurance withholdings from the payroll information corresponding to the three RITS submissions selected above and perform the following for each employee selected.	
4.a	No Exceptions
4.b	No Exceptions
5. Calculate the headcount reflected on the September 2019 and March 2020 Semiannual Headcount Report selected, by following the methods below.	
5.a	No Exceptions
5.b	No Exceptions
5.c	See Finding #2: Aggregate Base Salary – Reporting Discrepancy
5.c	See Finding #3: Aggregate Base Salary – Manual Error
6. Calculate employer and employee contributions for Retirement, Health Benefits, and Basic Life Insurance.	
6.a	No Exceptions
6.b	No Exceptions
6.c	No Exceptions
6.d	See Finding #4: Optional Life Insurance Withholdings

See [Attachment A](#) for a full description of each procedure.

Attachment A: Agreed Upon Procedures

SECTION 11

AGREED-UPON PROCEDURES

EMPLOYEE BENEFITS, WITHHOLDINGS, CONTRIBUTIONS AND SUPPLEMENTAL SEMIANNUAL HEADCOUNT REPORTING SUBMITTED TO THE OFFICE OF PERSONNEL MANAGEMENT

OBJECTIVE

To assist the Office of Personnel Management (OPM) in assessing the reasonableness of Retirement, Health Benefits, and Life Insurance withholdings and contributions as well as enrollment information submitted via the Semiannual Headcount Report.

BACKGROUND

The Agreed-Upon Procedures (AUPs) relating to the submission to OPM of withholdings/contributions for Retirement, Health Benefits, and Life Insurance relate to the use of the Retirement and Insurance Transfer System (RITS). RITS is the authorized method of submitting withholding and contribution information to OPM. Agency payroll providers (APPs) that are technically unable to transmit benefit information to OPM via RITS may continue to submit withholdings and contributions via the hard copy SF-2812 (and SF-2812-A), "Report of Withholdings and Contributions for Health Benefits, Life Insurance and Retirement" to OPM. The AUPs to be applied to those APPs submitting withholdings and contributions to OPM via the hard copy SF 2812 forms are similar to those for RITS.

REQUIRED DOCUMENTATION/PROCEDURES

For employee benefit withholdings and contributions:

- obtain the APP's September 2019 and March 2020 Semiannual Headcount Reports submitted to OPM and a summary of RITS submissions for September 2019 and the current fiscal year.

For each program (retirement, health and life):

- select a total of three RITS submissions for September 2019 and the current FY 2020; the selection will include one with the September 2019 Semiannual Headcount Report, one with the March 2020 Semiannual Headcount Report, and a 3rd between October 1, 2019 and August 31, 2020.
- Obtain payroll information for the periods covered by the RITS submissions selected.

Note: Hereinafter, the term "payroll information" refers to all payroll information, whether it is a payroll register, payroll data files, or other payroll support data.

1. Compare 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.):
 - 1.a. Recalculate the mathematical accuracy of the payroll information.
 - 1.b. Recalculate the mathematical accuracy of each RITS submission for the payroll information recalculated in Procedure 1.a.
 - 1.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 Procedure 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 Procedure 1.c. that are over 1 percent of the aggregate amount reported for each of the three categories. Obtain and document an explanation from a management official, including the official's name, telephone number, and an email address for the differences above the 1 percent threshold.

2. Perform detail testing of a random sample of transactions as follows:
 - 2.a. Randomly select 25 individuals who were in the payroll system for all three of the RITS submissions selected above that meet these criteria.
 - covered by the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS);
 - enrolled in the Federal Employees Health Benefits 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).
- 2.b. Obtain the following documents, either in electronic or hard copy format, from the Official Personnel File (OPF) for each individual selected in Procedure 2.a. Hard copies can be originals or certified copies.
- SF-50 "All Notifications of Personnel Actions" covering the pay periods in the RITS submissions chosen;
 - SF-2809 "The Health Benefits Election Form" covering the pay periods in the RITS submissions chosen or, if applicable, obtain a report (through the agency personnel office) from the agency's automated system that allows participants to change benefits (for example, Employee Express), for any Health Benefits transactions in that system for the individuals selected in Procedure 2.a. (note: a new SF-2809 is needed only if an employee is changing health benefit plans); and
 - For Health Benefits, compare date of the payroll transaction with 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 Procedure 2.f. covers the pay periods in the RITS submissions chosen.
 - SF-2817 "The Life Insurance Election Form" 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).
- 2.c. For each individual selected in Procedure 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 procedure and obtain management's explanation for the differences.
- 2.d. For Retirement for each individual selected in Procedure 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 procedure and obtain management's explanation for the differences.
- 2.e. For each individual selected in Procedure 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 and obtain management's explanation for the differences.
- 2.f. For Health Benefits for each individual selected in Procedure 2.a., compare the employee withholdings and agency contributions to the official subscription rates issued by

OPM for the plan and option elected by the employee, as documented by an SF-2809 in the employee's OPF or automated system that allows the participant to change benefits (for example, Employee Express). Report any differences resulting from this procedure and obtain management's explanation for the differences. The Health Benefits rates can be found on OPM's website at <http://www.opm.gov/insure/health/rates/index.asp>.

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

2.h. For each individual selected in Procedure 2.a., calculate the withholding and agency 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 procedure and obtain management's explanation for the differences.

2.i. For Life Insurance for each individual selected in Procedure 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 procedure and obtain management's explanation for the differences.

2.j. For each individual selected in Procedure 2.a., calculate the withholding amounts for optional life insurance using the following methods. The optional life insurance rates are on OPM's website at <https://www.opm.gov/healthcare-insurance/life-insurance/reference-materials/publications-forms/fegli-handbook/>.

- For Option A: Locate the employee's age group using the age groups provided for Option A in the FEGLI Program Handbook. The withholding amount to be used is the rate listed in the FEGLI Program Handbook for that age group. Compare the calculated amount to the amount withheld for Option A Life Insurance. Report any differences resulting from this procedure and obtain management's explanation for the differences.
- 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 Handbook. 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 procedure and obtain management's explanation for the differences.

- 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 Handbook. Multiply the rate for the age group by the number of multiples selected for Option C Life Insurance. Compare the calculated amount to the amount withheld for Option C Life Insurance. Report any differences resulting from this procedure and obtain management's explanation for the differences.

3. Randomly select a total of 10 employees who do not have Health Benefits withholdings from the payroll information corresponding to the three RITS submissions selected above and perform the following for each employee selected.

3.a. Obtain SF-2809s covering the pay periods in the RITS submissions chosen, either in electronic or hard copy format, from the selected employee's OPF or, if applicable, obtain a report (through the agency personnel office) from the agency's automated system that allows participants to change benefits (for example, 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, the 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.

- An 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 (for example, 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 (for example, Employee Express); or
- Cancellation of coverage through the agency's automated system that allows participants to change benefits (for example, Employee Express) and no later election of coverage with an SF-2809.

3.b. Compare the result in Procedure 3.a. to the RITS submissions. Report any differences resulting from this procedure and obtain management's explanation for the differences.

4. Randomly select 10 employees who do not have Life Insurance withholdings from the payroll information corresponding to the three RITS submissions selected above and perform the following for each employee selected.

- 4.a. Obtain the SF-2817s covering the pay periods in the RITS submissions selected, 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 whether the employee waived or cancelled Basic Life Insurance coverage.
- 4.b. Compare the result in Procedure 4.a. to the RITS submissions. Report any differences resulting from this procedure and obtain management's explanation for the differences.
5. Calculate the headcount reflected on the September 2019 and March 2020 Semiannual Headcount Report selected, by following the methods below.
- 5.a. Obtain existing payroll information (from procedure 1.a.) that supports 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 listed below:
- Benefit Category (see Semiannual Headcount Report).
 - Dollar Amount of withholdings and contributions.
 - Number Enrolled (deductions made or no deductions).
 - Central Personnel Data File Code.
 - Aggregate Base Salary.
- 5.b. Recalculate the headcount reflected on each Semiannual Headcount Report. If an electronic file is not available, use the suggested method below to recalculate the headcount:
- estimate the number of employees per payroll register page by counting the employees listed on several pages,
 - count the number of pages in the payroll register, and
 - multiply the number of employees per page by the number of pages, or count (using a computer audit routine) the number of employees on the payroll data file for the period.
- 5.c. Compare the payroll information obtained in Procedure 5.a. and the calculated headcount from Procedure 5.b. to the information shown on each respective Semiannual Headcount Report. Report any differences (for example, gross rather than net) greater than 2 percent. Obtain a management official name, telephone number, an email address, and an explanation for the differences.
6. Calculate employer and employee contributions for Retirement, Health Benefits, and Basic Life Insurance as described below:
- 6.a. Calculate employer and employee contributions for the three pay periods selected in Procedure 1.a., as described below:
- i. Multiply the CSRS and FERS payroll base by the withholding and employer contribution rates required by law.

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.

6.d. Calculate the Option A, Option B and Option C Basic Life Insurance coverage withholdings for the three pay periods selected by using the detail payroll reports used to reconcile the RITS reports in Procedure 1 on page 2. In addition to the information used for Procedure 1, the reports should include the employee's date of birth, annual rate of basic pay, and number of multiples selected for Option B and C. Note: While similar to Procedure 2.j., the calculation for this procedure is for the entire amount reported on the RITS submissions for the three pay periods selected, as opposed to the sample of 25 employees in Procedure 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 age groups provided in the FEGLI Program Handbook.
- ii. Compare the result in Procedure 6.d.i. to the amounts for Option A reported on the RITS submissions. Report any differences (for example, gross rather than net) greater than 2 percent of the amounts on the RITS submission, and obtain management's explanation for the differences.
- iii. Segregate the reports for Option B and Option C insurance into the age groups shown in the FEGLI Program Handbook. 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, then multiply this by the number of multiples:

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

For Option C, multiply the rate for the age group by the number of multiples chosen for each employee.
- iv. Compare the result in Procedure 6.d.iii. to the amounts for Option B and Option C, respectively, reported on the RITS submissions. Report any differences (for example, gross rather than net) greater than 2 percent of the amounts on the RITS submission for Option B or Option C, and obtain management's explanation for the differences.

INSTRUCTIONS

(From the Office of Management and Budget's *Bulletin No. 19-03, Audit Requirements for Federal Financial Statements*, dated August 27, 2019)
<https://www.whitehouse.gov/wp-content/uploads/2019/08/OMB-Bulletin-No.-19-03-Audit-Requirements-for-Federal-Financial-Statements.pdf>

SECTION 11: AGREED-UPON PROCEDURES: RETIREMENT, HEALTH BENEFITS, AND LIFE INSURANCE WITHHOLDINGS/CONTRIBUTIONS AND SUPPLEMENTAL SEMIANNUAL HEADCOUNT REPORT SUBMITTED TO THE OFFICE OF PERSONNEL MANAGEMENT (OPM)

11.1 The Agreed-Upon Procedures (AUPs) will be performed annually in accordance with AT-C 215, *Agreed-Upon Procedures Engagements*, and GAGAS Chapter 5. The AUPs are designed to assist OPM in assessing the reasonableness of the Retirement, Health Benefits, and Life Insurance withholdings/contributions as well as semiannual headcount information submitted by agencies. The sufficiency of the procedures is solely the responsibility of the Inspector General and the Chief Financial Officer of OPM and will be applied to the 12 months ended August 31 of each year.

11.2 Refer to <https://www.opm.gov/our-inspector-general/payroll-office-agreed-upon-procedures/> for the current AUPs required by OPM.

11.3 The auditor of each payroll provider will apply the AUPs separately (1) for each entity designated as subject to the CFO Act in Appendix A, and (2) each entity not designated as subject to the CFO Act that has 30,000 or more employees.

11.4 Although the auditor must perform the AUPs separately for each applicable entity, the auditor will combine the results into a single report.

11.5 The auditor of the payroll provider is the auditor responsible for the purpose of performing the AUPs. The auditors of customer agencies will participate to the extent necessary to ensure that the AUPs are performed effectively and within the established time frames.

11.6 In light of the migration of payroll servicing responsibilities under the e-Payroll initiative, the payroll provider as of March 31 will be responsible for assuring that the AUPs are performed and reported upon.

11.7 The report on the performance of the AUPs will be submitted *no later than October 1*. To the extent practical, management's comments on the auditor's findings will be included in the report.

11.8 If a specific AUP cannot be performed, the auditor must propose to OPM's OIG in writing no later than *July 15* an alternative procedure that would accomplish the AUPs' objectives. In addition, auditors will notify OPM's OIG by *September 3* of any other anticipated difficulties in completing the procedures and submitting the required report by *October 1*. Auditors will submit the alternative procedure or the notification by email to Mary.Davis-Williams@opm.gov and FinancialBALs@opm.gov.

11.9 The auditor of the payroll provider is required to report all findings to OPM by adhering to AT-C 215 and GAGAS Chapter 5. This will assist and enhance OPM's ability to track each finding for all agencies.

11.10 Agencies will submit the report on the application of these procedures by email as a PDF to FinancialBALs@opm.gov.