

Office of Inspector General | United States Postal Service

## Audit Report

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

Report Number 21-182-R21 | September 15, 2021



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# Highlights

## Objective

We performed procedures agreed upon by the U.S. Office of Personnel Management's (OPM) Office of the 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 Chief Financial Officer to assist 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 employee base salary calculation and life insurance elections.

Specifically:

- The base salary used for payroll purposes and as a basis for withholdings and contributions differed from the base salary reflected on the Postal Service Form 50, Notice of Personnel Action, for one of 25 employees.
- We could not verify the life insurance election for two of 25 employees reviewed.

Prior to our engagement, the Postal Service refunded the benefit contributions made because of the inflated base salary. Further, as a result of our engagement, Postal Service human resources personnel created a document for the file for each impacted employee to serve as the official record of life insurance elections.

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.

# Transmittal Letter



OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

September 15, 2021

**MEMORANDUM FOR:** DOUGLAS TULINO  
DEPUTY POSTMASTER GENERAL  
AND CHIEF HUMAN RESOURCES OFFICER

*Margaret B. McDavid*

**FROM:** Margaret B. McDavid  
Acting 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 21-182-R21)

Attached is a copy of the subject report provided to the U.S. Office of Personnel Management's (OPM) Office of the Chief Financial Officer. This report is provided for information only and requires no management action.

At the request of the OPM, 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 Lorie Nelson, Acting Deputy Assistant Inspector General for Finance and Pricing, or Luisa Gierbolini, Acting Director, Finance, at 703-248-2100.

Attachment

cc: Corporate Audit Response Management  
Postmaster General



OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

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September 15, 2021

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

MARGARET P. PEARSON  
ACTING CHIEF FINANCIAL OFFICER  
U.S. OFFICE OF PERSONNEL MANAGEMENT

*Margaret B. McDavid*

**FROM:** Margaret McDavid  
Acting 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 21-182-R21)

This report presents the results of our performance of the procedures agreed upon by the Chief Financial Officer of the U.S. Office of Personnel Management (OPM) (Project Number 21-182).

At the request of the OPM, 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 Lorie Nelson, Acting Deputy Assistant Inspector General for Finance and Pricing, or Luisa Gierbolini, Acting Director, Finance, at 703-248-2100.

Attachment

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

# Results

## Introduction/Objective

This report presents the results of our performance of the procedures agreed upon by the Office of the Chief Financial Officer of the U.S. Office of Personnel Management (OPM) (Project Number 21-182). 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 28, 2020, September 11, 2020, and February 26, 2021; and the enrollment information reported in the *Supplemental Semiannual Headcount Report* (headcount report) for September 2020 and March 2021.

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 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*, revised August 27, 2020, and

Bulletin 21-04, *Audit Requirements for Federal Financial Statements*, dated June 11, 2021. The OPM administers health, life insurance and retirement benefits for federal agencies.

Postal Service Accounting Services in Eagan, MN, calculates, disburses, and reports employee withholdings and Postal Service contributions for health benefits, life insurance, and retirement. As of February 26, 2021, the Postal Service employed over 659,000 persons (about 472,000 with benefits).

During each of the three payroll periods reviewed,<sup>1</sup> the Postal Service withheld an average of more than \$100 million and contributed over \$330 million toward benefits. The Postal Service transmitted these funds to the OPM via the Retirement and 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 amounts 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 2020 and March 2021.

## Finding #1: Employee Base Salary

The base salary used for payroll purposes and as a basis for withholdings and contributions differed from the base salary reflected on the Postal Service (PS) Form 50, Notification of Personnel Action, for one of 25 employees.<sup>2</sup> The base salary used for payroll in pay period 19, 2020<sup>3</sup> was higher by \$512.98 because 24 hours of public health leave was erroneously included in the employee's base salary.

Under provisions of the Families First Coronavirus Response Act (FFCRA), the Postal Service created new temporary leave types, including public health leave.<sup>4</sup> The temporary leave types became effective April 1, 2020, and were initially treated as base salary. Subsequent guidance published by OPM on May 22, 2020, specified that payments generated from these temporary leave types were

<sup>1</sup> These periods covered 106,327 employees not enrolled in health benefits and 629 employees who waived life insurance coverage in all three pay periods reviewed.

<sup>2</sup> Procedure 2.c

<sup>3</sup> August 29, 2020 through September 11, 2020, paid on September 18, 2020.

<sup>4</sup> FFCRA, H.R. 6201, Public Law 116-127, March 18, 2020, Division E, Emergency Paid Sick Leave Act.

not to be treated as base salary. Therefore, employee and employer deductions for retirement benefits<sup>5</sup> and Thrift Savings Plan (TSP)<sup>6</sup> should not be withheld. In pay period 20, the Postal Service refunded the benefit contributions made because of the inflated base salary.

## Finding #2: Life Insurance Election Forms

We could not verify the life insurance elections for two of 25 employees because the Life Insurance Election Forms were not in the electronic Official Personnel File (eOPF).<sup>7</sup> Life Insurance Election Forms are the original source documents that initiate withholdings, contributions, changes, and cancellations in payroll records. The OPM requires the Postal Service to maintain life insurance records as permanent records. The Postal Service Human Resources Shared Service Center (HRSSC)<sup>8</sup> was also unable to locate the forms; however, we located PS Forms 50 that the Postal Service uses for processing elections.

HRSSC personnel could not explain why the employees' Life Insurance Election Forms were missing. However, as a result of our engagement, HRSSC personnel completed a "Federal Employees' Group Life Insurance (FEGLI): Missing

Document – Note to File" for each impacted employee to serve as the official record of their elections.

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 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.

<sup>5</sup> The U.S. Postal Service participates in the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS).

<sup>6</sup> The TSP is a defined contribution component of FERS designed to closely resemble private sector plans. It is also open to employees covered under the CSRS but does not match contributions.

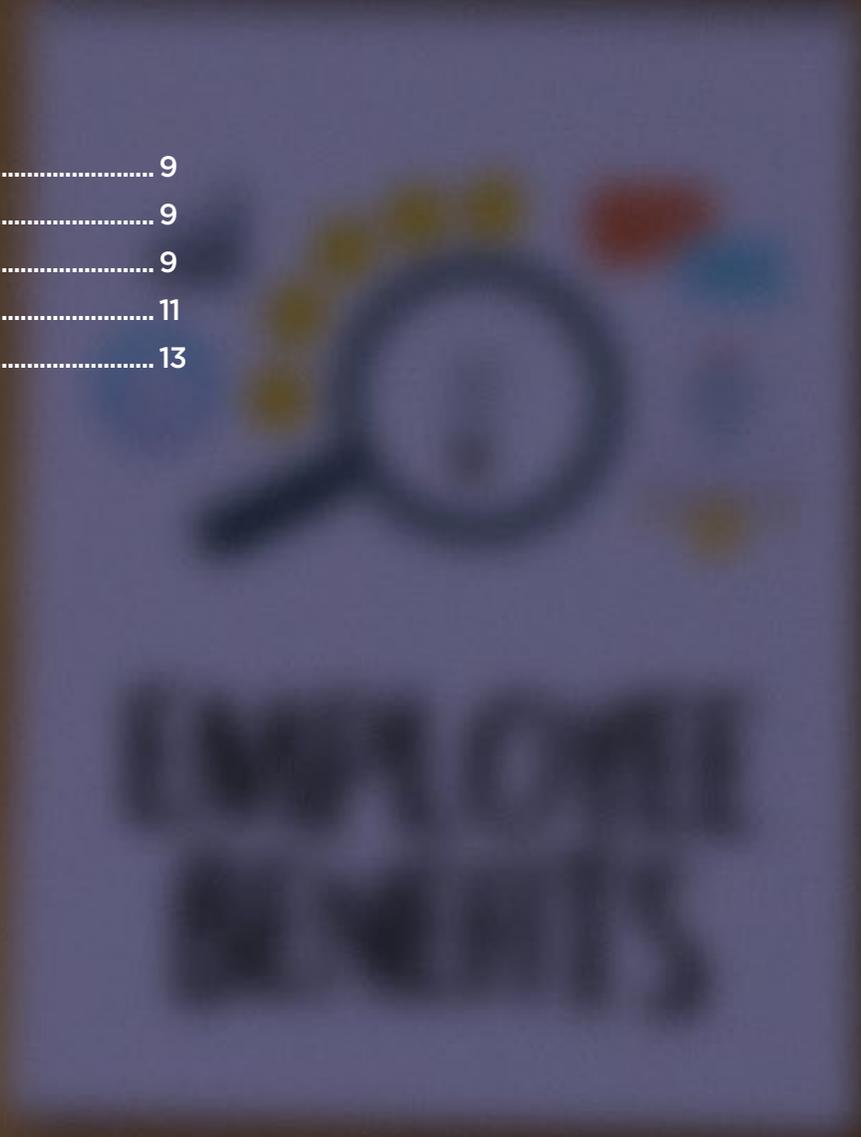
<sup>7</sup> Procedure 2.i.

<sup>8</sup> The national operational and processing center for personnel actions 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.

# Appendices

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# Appendix A: Additional Information

## Scope and Methodology

To accomplish our objective, we applied the agreed-upon procedures to the payroll periods ending August 28, 2020, and February 26, 2021, coinciding with the headcount reports for September 2020 and March 2021, respectively. We randomly selected another payroll period, ending September 11, 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 May through August 2021 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 8, 2021, and included their comments where appropriate.

We relied on computer-generated data from the Postal Service's Payroll Systems.<sup>9</sup> To validate the data, we traced the basic salary 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
<i>Independent Report on Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the U.S. Office of Personnel Management</i>	Assist the OPM to 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> .	20-224-R20	09/11/2020
<i>Independent Report on Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the U.S. Office of Personnel Management</i>	Assist the OPM to 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> .	FT-AT-19-001	09/10/2019

<sup>9</sup> Payroll Systems includes programming for USPS Payroll. All pay rules necessary for compensating USPS employees are incorporated into this system. Data necessary for legally required wage reporting as well as deductions from employee wages are also maintained in the system.

Report Title	Objective	Report Number	Final Report Date
<i>Independent Report on Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the U.S. Office of Personnel Management</i>	Assist the OPM to 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> .	FT-AT-18-001	09/07/2018

# 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	See Finding #1: Employee Base Salary
2.d	No Exceptions
2.e	No Exceptions
2.f	No Exceptions
2.g	No Exceptions
2.h	No Exceptions
2.i	See Finding #2: Life Insurance Coverage
2.j	No Exceptions
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

## Procedure

## Finding

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 No Exceptions

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 No Exceptions

# 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 for submitting withholdings or contributions (Retirement, Health Benefits, and Life Insurance) to OPM, in part, describe 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 like those for RITS.

#### REQUIRED DOCUMENTATION/PROCEDURES

For employee benefit withholdings and contributions:

- obtain the APP’s September 2020 and March 2021 Semiannual Headcount Reports submitted to OPM and a summary of RITS submissions for September 2020 and the current fiscal year.

For each program (retirement, health, and life):

- select a total of three RITS submissions for September 2020 and the current FY 2021; the selection will include one with the September 2020 Semiannual Headcount Report, one with the March 2021 Semiannual Headcount Report, and a 3rd between October 1, 2020 and August 31, 2021.
- 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 everyone 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 everyone 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 everyone 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 everyone 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 everyone 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 everyone 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 2020 and March 2021 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.
  - ii. Compare the calculated totals from Procedure 6.a.i. to the related amounts shown on the RITS submissions. Report any differences (for example, 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.
- 6.b. Calculate employee withholdings and employer contributions for Health Benefits for the three pay periods selected in Procedure 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 Procedure 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.
- 6.c. Calculate the Basic Life Insurance employee withholdings and employer contributions for the three pay periods selected in Procedure 1.a., as follows:
- i. Obtain a payroll system query from APP 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 2,500 times the number of employees with Basic Life Insurance coverage from Procedure 6.c.i above to the aggregate annual basic pay for all employees with Basic Life Insurance from Procedure 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 Basic Life Insurance withholding rates are in the FEGLI Program Handbook on OPM's website.
  - iii. Compare the result in Procedure 6.c.ii. to the withholdings for Basic Life Insurance coverage reported on the RITS submission. Report any difference (for example, 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.
  - iv. For agency contributions: Divide the results of Procedure 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 (for example, 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.
- 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:

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

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.21-04, Audit Requirements for Federal Financial Statements*, dated June 11, 2021)

<https://www.whitehouse.gov/wp-content/uploads/2021/06/FY21AuditBulletinClean.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](mailto:Mary.Davis-Williams@opm.gov) and [FinancialBALs@opm.gov](mailto: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](mailto:FinancialBALs@opm.gov).

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