



September 22, 2010

VINCENT H. DEVITO, JR.
VICE PRESIDENT, CONTROLLER

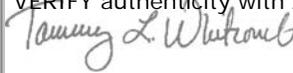
DEBORAH GIANNONI-JACKSON
VICE PRESIDENT, EMPLOYEE RESOURCE MANAGEMENT

SUBJECT: Transmittal of Agreed-Upon Procedures Report – Independent Report on Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the Office of Personnel Management (Report Number FT-AR-10-013)

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 10BD010FT000). The report is provided for information only and requires no management action.

At the request of the OPM OIG, we performed agreed-upon procedures in accordance with generally accepted government auditing standards and attestation standards established by the American Institute of Certified Public Accountants. We performed the procedures solely to assist the OPM in verifying employee withholdings and employer contributions reported on the *Report of Withholdings and Contributions for Health Benefits, Life Insurance and Retirement* for three selected payroll periods. We also verified information presented in the *Supplemental Semiannual Headcount Report* for September 2009 and March 2010.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions, please contact John Cihota, deputy assistant inspector general for financial accountability, or Lorie Nelson, director, Financial Reporting, at 703-248-2100.

E-Signed by Tammy Whitcomb 
VERIFY authenticity with ApproveIt


Tammy L. Whitcomb
Assistant Inspector General
for Audit

Attachments

cc: Joseph Corbett
Anthony J. Vegliante
Stephen J. Nickerson
Jean Parris
Corporate Audit and Response Management



September 22, 2010

HONORABLE PATRICK E. MCFARLAND
INSPECTOR GENERAL
UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

SUBJECT: Agreed-Upon Procedures Report – Independent Report on Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the Office of Personnel Management (Report Number FT-AR-10-013)

We performed the procedures the inspector general and the chief financial officer of the U.S. Office of Personnel Management (OPM) agreed upon. We performed the procedures solely to assist the OPM in verifying employee withholdings and employer contributions reported in the *Report of Withholdings and Contributions for Health Benefits, Life Insurance and Retirement* for the payroll periods ending August 28, 2009; February 26, 2010; and April 9, 2010; and the enrollment information reported in the *Supplemental Semiannual Headcount Report* for September 2009 and March 2010. See [Appendix A](#) for additional information about this engagement and [Appendix B](#) for a description of the procedures.

[Conclusion](#)

Generally, we were able to verify the employee withholdings, employer contributions, and enrollment information reported and transferred to the OPM for health benefits, life insurance, and retirement. However, we identified one reportable issue for two employees based on OPM procedures.

[Unverified Life Insurance Elections¹](#)

We identified differences between life insurance election information in payroll records² and the *Life Insurance Election* form for two employees of 25 reviewed as shown in the following table:

¹ Procedure Number 2.i.

² *Notification of Personnel Action* form.

This report has not yet been reviewed for release under FOIA or the Privacy Act. Distribution should be limited to those within the Postal Service with a need to know.

Life Insurance Election Differences

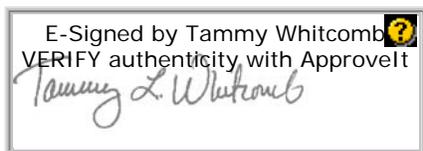
Employee	Per Payroll Records	Per <i>Life Insurance Election Form</i>
A	<ul style="list-style-type: none"> ▪ Basic ▪ Additional Coverage/5 Times Basic Pay 	<ul style="list-style-type: none"> ▪ Basic ▪ Family Coverage/1 Multiple
B	<ul style="list-style-type: none"> ▪ Basic ▪ Standard \$10,000 	<ul style="list-style-type: none"> ▪ No form on file

The Life Insurance Election forms are the original source document and initiate withholdings and contributions from payroll records. Additionally, the OPM requires the agency to keep the form on file as a permanent record. However, we could not confirm life insurance elections with the original source document because the Life Insurance Election forms were inadvertently lost, misfiled or destroyed.³ We did verify that correct withholdings and contributions were paid according to the processed Notification of Personnel Action.⁴ Additionally, the Postal Service contacted the employees and confirmed current life insurance elections per the payroll records were valid.

We were not engaged to and did not perform an audit, the objective of which would have been the expression of an opinion on the withholdings and contributions for health benefits, life insurance, and retirement; and the headcount report of the Postal Service. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that we would have reported to you.

This report is intended solely for the use of the inspector general and the chief financial officer of the 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.

If you have any questions, please contact John Cihota, deputy assistant inspector general for financial accountability, or Lorie Nelson, director, Financial Reporting, at 703-248-2100.



Tammy L. Whitcomb
Assistant Inspector General
for Audit

Attachments

³ We were able to find Life Insurance Election forms for the other individual's reviewed.

⁴ Based on the Life Insurance Election form, the Postal Service initiates a Notification of Personnel Action to start or modify life insurance withholdings.

cc: Nancy Kichak
Michael R. Esser
William W. Scott, Jr.

APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

The Postal Service Information Technology and Accounting Service Center 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 March 5, 2010, the Postal Service employed more than 688,900 people (approximately 581,100 with benefits).

During each payroll period reviewed,⁵ the Postal Service withheld more than \$83 million and contributed about \$299 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 benefits category. Additionally, the Postal Service submitted to the OPM the *Supplemental Semiannual Headcount Report* detailing the number of employees associated with each benefit category for September 2009 and March 2010.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to assist the OPM in verifying:

- Employee withholdings and employer contributions reported in the *Report of Withholdings and Contributions for Health Benefits, Life Insurance and Retirement*.
- Enrollment information reported in the *Supplemental Semiannual Headcount Report*.

To accomplish our objective, we applied the procedures included in [Appendix B](#) to the payroll periods ending August 28, 2009, and February 26, 2010, coinciding with the *Supplemental Semiannual Headcount Report* for September 4, 2009, and March 5, 2010, respectively. We randomly selected another payroll period, which ended April 9, 2010, for additional testing.

We confirmed RITS data by verifying payroll source documents. For a sample of 45 employees,⁶ we reviewed personnel documents 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

⁵ This timeframe included approximately 64,900 employees who declined health benefits and approximately 1,400 employees who waived life insurance coverage.

⁶ The universe for sample selection does not include approximately 155,700 employees who elected health benefits and basic life insurance only (no optional coverage elected).

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 September 2010 in accordance with the American Institute of Certified Public Accountants and generally accepted government auditing standards. The sufficiency of the procedures is solely the responsibility of the inspector general and the chief financial officer of the OPM. Consequently, we make no representation regarding the sufficiency of the procedures described in [Appendix B](#), either for the purpose for which this report has been requested, or for any other purpose. We discussed our observations and conclusions with management officials on September 17, 2010, and included their comments where appropriate.

We relied on computer-generated data from the Postal Service's payroll system. 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	Report Number	Final Report Date	Report Results
<i>Independent Report on Withholdings and Contributions for Health Benefits, Life Insurance, Retirement, and Employee Headcount Data</i>	FT-AR-09-010	September 18, 2009	We verified employee withholdings, employer contributions, and enrollment information reported and transferred to the OPM for health benefits, life insurance, and retirement. We did not identify any errors or differences that exceeded the materiality limits the OPM established.
<i>Independent Report on Withholdings and Contributions for Health Benefits, Life Insurance, Retirement, and Employee Headcount Data</i>	FT-AR-08-013	September 12, 2008	Two discrepancies were identified on the <i>Supplemental Semiannual Headcount Report</i> : aggregate base salaries for the Civil Service Retirement System (CSRS) offset employees did not accurately reflect the actual salaries paid for the reporting period and the number of employees enrolled in the CSRS offset with no deductions made was incorrectly reported. We made no recommendations.
<i>Independent Report on Withholdings and Contributions for Health Benefits, Life Insurance, Retirement, and Employee Headcount Data</i>	FT-AR-07-013	September 20, 2007	Aggregate base salaries for the CSRS offset employees in the <i>Supplemental Semiannual Headcount Report</i> did not accurately reflect the actual salaries paid for the reporting period. We made no recommendations.

APPENDIX B: 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.

Looking Ahead to FY 2011

For *FY 2011*, new AUPs relating to Combined Federal Campaign (CFC) payroll deductions are being added. OPM's Office of CFC Operations (OCFCO) is responsible for overseeing the CFC program. This program consists of approximately 220 individual campaigns which allow federal employees to contribute to charitable organizations through pledge cards. OPM is responsible for ensuring it is in compliance with CFC regulations according to 5 CFR §950:

Recently, significant errors in processing payroll deductions to the campaigns have been identified. Efforts have been made to get federal payroll offices and/or federal agencies to correct these errors. However, these corrections are not made timely, and in some cases, not at all. The additional procedures below, beginning with Step 7., were developed to assist in identifying and correcting these errors in a timely manner.

Also for *FY 2011*, OPM is working on revised procedures that will provide assurance for the Semiannual Headcount Report numbers. The goal for documenting the steps and making these new procedures available is June 2010.

PROCEDURES

For employee benefit withholding and contributions, obtain the APP's September 2009 and March 2010 Semiannual Headcount Report submitted to OPM and a summary of RITS submissions for September 2009 and the current fiscal year. For each program (retirement, health and life) select a total of three RITS submissions for September 2009 and the current fiscal year; two will coincide with the September 2009 and March 2010 Semiannual Headcount Report. Obtain payroll information for the periods covered by the RITS submissions selected.

For the CFC AUPs, [effective for FY 2011], obtain the following documentation for the federal agencies serviced by the APP:

- a) A list of all field offices/duty stations in existence during the fall 2010 Combined Federal Campaign (CFC) solicitation period (September 1, 2010 through December 15, 2010) for each federal agency serviced. The list must include the county, city, state and zip code for the field office.
- b) A list of all local CFC campaigns and the areas they cover. This list should be obtained directly from the Office of Personnel Management's (OPM) Office of CFC Operations (OCFCO) by sending an e-mail request to cfc@opm.gov. The subject line of the e-mail should be "Payroll Office AUPs-2009 CFC Campaign Location List Request".
- c) A list of accounting codes used by the APP to identify each local CFC campaign. The list should include the accounting code, name of campaign, name of Principal Combined Fund Organization (PCFO) for that campaign, and address of PCFO.
- d) A report of all employees with CFC deductions from the RITS submission selected to coincide with the March 2011 Semiannual Headcount. The report must include each employee's official duty station location and the agency payroll provider's accounting code identifying the campaign to which each employee's funds are being distributed.

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 selected in step 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 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 one 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 one percent threshold.

- 2.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 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 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 step 2.a. Hard copies can be originals or certified copies.
 - all Notifications of Personnel Actions (SF-50) 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); and
 - For Health Benefits, compare date of 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 the step 2.f. covers the pay periods in the RITS submissions chosen.
 - 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).

- 2.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.

- 2.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.

- 2.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.
- 2.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 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. 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 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.
- 2.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.
- 2.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.
- 2.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.

- 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 1000, divide it by 1000, 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.
 - 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 any differences resulting from this step and obtain management's explanation for the differences.
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.
- 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 (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.
- 3.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.

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.
 - 4.a. Obtain the SF-2817s covering the pay periods in the RITS submissions 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 cancelled Basic Life Insurance coverage.
 - 4.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.
5. Calculate the headcount reflected on the September 2009 and March 2010 Semiannual Headcount Report selected, as follows.
 - 5.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 Semiannual Headcount Report).
 - Dollar Amount of withholdings and contributions.
 - Number Enrolled (deductions made/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, 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 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 step 5.a. and the calculated headcount from step 5.b. to the information shown on each respective Semiannual Headcount Report.

- 5.d. Report any differences (i.e., gross rather than net) greater than two percent between the headcount reporting on each respective agency 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, an email address, and an explanation for the differences.
6. Calculate employer and employee contributions for Retirement, Health Benefits, and Life Insurance as follows:
 - 6.a. Calculate Retirement withholdings and contributions for the three pay periods 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 five 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 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 five 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 step 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 2,000 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 five percent of the amounts on the RITS submission, and obtain management's explanation for the difference.
 - 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 five 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 Life Insurance coverage withholdings for the three pay periods 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 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 pay periods 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 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 two 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 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).

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 two percent of the amounts on the RITS submission for Option B or Option C, and obtain management's explanation for the differences.

Please Note—Steps 7 through 9, below, are effective for FY 2011

7. Compare the list of field offices/duty stations to the list of local CFC campaigns obtained from OPM's OCFCO.
 - 7.a. 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.)
8. Compare the list of accounting codes to the identified campaigns for each field office/duty station.
 - 8.a. Determine the accounting code for each field office/duty station.
 - 8.b. Determine if the name of the campaign, the Principal Combined Fund Organization (PCFO), and address of the PCFO in the APP system agree to the information for that field office/duty station on the list of local CFC campaigns obtained from OPM's OCFCO.
9. Sort the report of all employees with CFC deductions by Official Duty Station.
 - 9.a. Compare the Official Duty Stations to the campaigns identified for those locations.
 - 9.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 to the accounting code identified for that field office/duty station.

CFC AUPs Evaluation: Report all instances of the following, as findings.

- The name of the campaign, PCFO, or address of the PCFO on the list of accounting codes from the Federal Payroll Office does not agree to the information on the list of all local CFC campaigns obtained from OPM's OCFCO.

- A federal agency has a CFC deduction for an employee whose official duty station is in an area with no local CFC campaign.
- The accounting code for an employee with CFC deductions does not agree to the accounting code for that employee's Official Duty Station.

REVISIONS TO INSTRUCTIONS

(from the Office of Management and Budget's Memorandum M-09-33 (September 23, 2009), *Technical Amendments to OMB Bulletin No. 07-04; Audit Requirements for Federal Financial Statements* dated September 4, 2007)

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) enumerated in "Section 11" will be performed annually in accordance with Statements of Standards for Attestation Engagements, AT Section 201, "Agreed-Upon Procedures Engagements." 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 <http://www.opm.gov/oig> 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 principal auditor 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 Office of Inspector General (OIG) in writing no later than *July 15*, at the address in 11.10, an alternative procedure that would accomplish the AUPs' objectives. In addition, auditors will notify OPM's OIG by *September 1* of any other anticipated difficulties in completing the procedures and submitting the required report by October 1.

- 11.9 *The principal auditor of the payroll provider is required to report all findings to OPM by adhering to the AICPA and Government Auditing Standards attestation standards format that are at <http://www.aicpa.org/download/members/div/auditstd/AT-00201.PDF> paragraphs 31 and 32, and <http://www.gao.gov/govaud/d07162g.pdf> Chapter 6, respectively. This will assist and enhance OPM's ability to track each finding for all agencies.*
- 11.10 Agencies will submit three copies of the report on the application of these procedures to OPM's OIG at the address below or, alternatively, may email the report as a PDF attachment to wwscott@opm.gov, with a cc: to Finance@opm.gov.

U.S. Office of Personnel Management
Office of Inspector General
Room 6400
1900 E Street, N.W.
Washington, DC 20415
Attention: W.W. Scott, Jr.