



OFFICE OF
**INSPECTOR
GENERAL**
UNITED STATES POSTAL SERVICE

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

Attestation Report

September 25, 2012

Report Number FT-AR-12-013



OFFICE OF
**INSPECTOR
GENERAL**
UNITED STATES POSTAL SERVICE

HIGHLIGHTS

September 25, 2012
**Independent Report on Employee Benefits,
Withholdings, Contributions, and
Supplemental Semiannual Headcount
Reporting Submitted to the Office of
Personnel Management**
Report Number FT-AR-12-013

BACKGROUND:

This attestation engagement is an annual requirement to comply with the U.S. Office of Management and Budget's Circular Number A-136, *Financial Reporting Requirements*, and Bulletin 07-04, *Audit Requirement for Federal Financial Statements*. Additionally, the U.S. Office of Personnel Management (OPM) manages the Combined Federal Campaign and ensures compliance with Combined Federal Campaign regulations.

At the request of the OPM Office of Inspector General, we performed procedures agreed upon by the inspector general and the chief financial officer of the OPM. Our objectives were to assist the OPM in assessing the reasonableness of employee benefit withholdings, Postal Service benefit contributions, and employee benefit enrollment information; and to confirm Combined Federal Campaign program accounting codes and payroll data to OPM records.

WHAT THE OIG FOUND:

We found differences between the life insurance election information in payroll records and the *Life Insurance Election* form for two employees of the 25 reviewed.

We identified 32 of 223 Combined Federal Campaigns in the U.S. Postal

Service's payroll system that had different campaign names and addresses from those the OPM provided. We also identified 81 of 85,824 employees whose campaign codes in the Postal Service's payroll system did not match the OPM's campaign codes associated with the employee's work location. This included 13 employees at nine work locations that have no official campaign.

We validated the correct withholdings and contributions were paid by the Postal Service and employees. Also, management corrected inactive campaigns and campaign names and addresses and are reviewing campaign codes. Therefore, the information provided to the OPM was reasonable.

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. Accordingly, we do not express such an opinion. Had we performed additional procedures, we might have found other matters that we would have reported.

WHAT THE OIG RECOMMENDED:

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

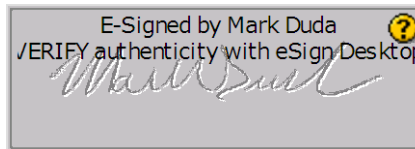
[Link to review the entire report](#)



September 25, 2012

MEMORANDUM FOR: ANTHONY J. VEGLIANTE
EXECUTIVE VICE PRESIDENT, CHIEF HUMAN
RESOURCES OFFICER

TIMOTHY F. O'REILLY
VICE PRESIDENT, CONTROLLER



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 Office of
Personnel Management (Report Number FT-AR-12-013)

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 12BD014FT000). 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 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 assessing the reasonableness of employee withholdings and U.S. Postal Service contributions in the *Report of Withholdings and Contributions for Health Benefits, Life Insurance and Retirement* for three selected payroll periods. We also verified enrollment information in the *Supplemental Semiannual Headcount Report* for September 2011 and March 2012. Finally, we confirmed the Combined Federal Campaign program accounting codes and payroll data with the OPM records for one payroll period.

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 financial accountability, or Lorie Nelson, director, Financial Reporting, at 703-248-2100.

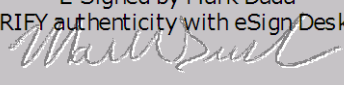
Attachments

cc: Stephen J. Masse
Jack L. Meyer
Jean D. Parris
Corporate Audit and Response Management



September 25, 2012

MEMORANDUM FOR: HONORABLE PATRICK E. MCFARLAND
INSPECTOR GENERAL
U.S. OFFICE OF PERSONNEL MANAGEMENT

E-Signed by Mark Duda
VERIFY authenticity with eSign Desktop


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 Office of Personnel Management (Report Number FT-AR-12-013)

This report presents the results of our attestation engagement of procedures agreed upon by the inspector general and the chief financial officer of the U.S. Office of Personnel Management (OPM) (Project Number 12BD014FT000).

At the request of the OPM Office of Inspector General (OIG), we performed the 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 assessing the reasonableness of employee withholdings and U.S. Postal Service contributions in the *Report of Withholdings and Contributions for Health Benefits, Life Insurance and Retirement* for three selected payroll periods. We also verified enrollment information in the *Supplemental Semiannual Headcount Report* for September 2011 and March 2012. Finally, we confirmed the Combined Federal Campaign program accounting codes and payroll data with the OPM records for one payroll period.

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; enrollment information; and the Combined Federal Campaign program. Accordingly, we do not express such an opinion. Had we

performed additional procedures, we might have found other matters that we would have reported.

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 or need additional information, please contact John E. Cihota, deputy assistant inspector general for financial accountability, or Lorie Nelson, director, Financial Reporting, at 703-248-2100.

Attachments

cc: Stephen J. Agostini
Michael R. Esser
William W. Scott, Jr.

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Introduction

This report presents the results of our attestation engagement of procedures agreed upon by the inspector general and the chief financial officer of the U.S. Office of Personnel Management (OPM) (Project Number 12BD014FT000). The report responds to a request from the OPM to assist 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* for the payroll periods ended August 26, 2011; February 24, 2012; and May 18, 2012; the enrollment information reported in the *Supplemental Semiannual Headcount Report* for September 2011 and March 2012; and the Combined Federal Campaign program information for the payroll period ended February 24, 2012. This attestation engagement addresses financial risk. See [Appendix A](#) for additional information about this attestation engagement and [Appendix B](#) for a description of the procedures.

This attestation engagement is an annual requirement to comply with the Office of Management and Budget's Circular Number A-136, *Financial Reporting Requirements*, and Bulletin 07-04, *Audit Requirement for Federal Financial Statements*. Additionally, the OPM manages the Combined Federal Campaign and ensures compliance with Combined Federal Campaign regulations.

Conclusion

Generally, we verified the employee withholdings, Postal Service contributions, and enrollment information reported and transferred to the OPM for health benefits, life insurance, and retirement; and campaign names, campaign addresses, and campaign codes from the Postal Service's payroll system to those provided by the OPM. However, we did identify the following issues:

- Differences between life insurance election information in payroll records and that shown on the election forms for two of 25 employees reviewed.
- Inactive Combined Federal Campaigns or differences between names and addresses in the payroll system from those provided by OPM for 32 of 223 campaigns.
- Campaign codes in the payroll system did not match the OPM's campaign code associated with 81 of 85,824 employee's work location.

Further, we could not validate campaign codes with original pledge forms. We have identified similar issues in previous reports.¹

¹ See Appendix A [Prior Audit Coverage](#).

We validated the correct withholdings and contributions were paid by employees and the Postal Service, and the Postal Service contacted the employees and confirmed life insurance elections per the payroll records were valid. Also, management corrected inactive campaigns and campaign names and addresses, and is reviewing campaign codes to ensure they match the OPM's campaign codes. Therefore, the information provided to the OPM was reasonable.

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

Unverified Life Insurance Elections

We identified differences between life insurance election information in payroll records and the *Life Insurance Election* forms for two employees of 25 reviewed.² Table 1 specifies the differences.

Table 1. Life Insurance Election Differences

Employee	Per Payroll Records	Per Election Forms on File
A	<ul style="list-style-type: none">▪ Basic▪ Additional Coverage/4 Times Basic Pay	<ul style="list-style-type: none">▪ Basic▪ Standard \$10,000
B	<ul style="list-style-type: none">▪ Basic▪ Standard \$10,000▪ Additional Coverage/2 Times Basic Pay	<ul style="list-style-type: none">▪ Basic

Source: Postal Service payroll system and official personnel folders.

The *Life Insurance Election* forms are the original source documents and initiate withholdings, contributions, changes, and cancellations from payroll records. Additionally, the OPM requires the Postal Service to keep the forms on file as a permanent record. However, we could not confirm current life insurance elections with original source documents because the most recent *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 Actions*⁴ and earnings statements. Additionally, the Postal Service contacted the employees and confirmed life insurance elections per the payroll records were valid.

Unmatched Combined Federal Campaign Names and Addresses

We identified 32 of 223 campaigns in the Postal Service's payroll system that had different campaign names and addresses from those provided by the OPM or were no longer active campaigns.⁵ Chart 1 categorizes the differences.

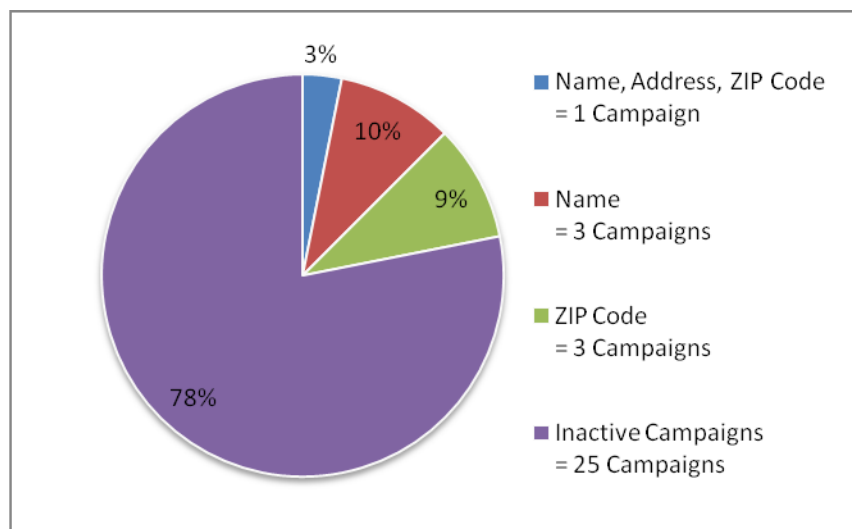
² Procedure Number 2.i.

³ We were able to find the most recent *Life Insurance Election* forms for the other employees 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.

⁵ Procedure Number 8.

Chart 1. Unmatched Campaigns



Source: Postal Service payroll system and OPM Combined Federal Campaign data.

The Postal Service uses electronic funds transfer to transmit employee contributions to the campaigns; therefore, bank routing numbers and account numbers are the primary data elements used to ensure a successful transaction. However, if an electronic funds transfer is unsuccessful, the Postal Service issues and mails a check to the campaign. Accordingly, the campaign names and addresses in the Postal Service's payroll system exist as a secondary control. Before mailing the check, the Postal Service verifies the name and address in its payroll system with the most recent OPM monthly update to ensure the mailing address is current.⁶ On August 16, 2012, the Postal Service informed us it had corrected the campaign differences within its payroll records. See [Appendix C](#) for unmatched Combined Federal Campaign names and addresses.

Unmatched Combined Federal Campaign Codes

We identified 81 of 85,824 employees whose campaign codes in the Postal Service's payroll system did not match the OPM's campaign code associated with the employee's work location.⁷ This includes 13 employees at nine work locations that have no official campaign.⁸ The differences could be attributed to inaccurate OPM information or Postal Service coding errors. For example, we identified 15 employees working in Fayetteville, TN, within Lincoln County, who participated in the Combined Federal Campaign program. OPM information⁹ showed that Lincoln County, TN, was included in the Tennessee Valley Combined Federal Campaign.¹⁰ The Postal Service submitted the

⁶ Electronic funds transfer is generally used; it is rare that a check is issued.

⁷ Procedure Number 9.

⁸ Cleveland, MS; Louisville, MS; McCarley, MS; New Hebron, MS; Franklin, NC; Blacksburg, SC; Easley, SC; Lamar, SC; and Crosbyton, TX.

⁹ Provided to the U.S. Postal Service Office of Inspector General on August 8, 2012.

¹⁰ Campaign Code 0004.

contributions from these 15 employees to the Tennessee Regional Combined Federal Campaign,¹¹ which created a reportable difference. Management advised they confirmed with the OPM's website that in 2010, the Tennessee Regional Combined Federal Campaign added Lincoln County, TN, formerly part of the Tennessee Valley Combined Federal Campaign. We validated the change and agreed a reportable difference, in this instance, did not exist. Except for the example cited, we did not validate the accuracy of the OPM's campaign data or other potential causes for the differences between the Postal Service's payroll data and the OPM's campaign data because it was beyond the scope of this attestation engagement. See [Appendix D](#) for the list of unmatched Combined Federal Campaign codes we identified and provided to Postal Service management.

We judgmentally selected two of the 81 employees and requested the original pledge forms to verify the campaign codes.¹² However, we were unable to obtain the original pledge forms because, although the Combined Federal Campaign program requires agencies to keep pledge forms for three pledge periods, the Postal Service retains the pledge forms for no more than 6 months in accordance with the Privacy Act of 1974, as amended.¹³

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; enrollment information; and the Combined Federal Campaign program. Accordingly, we do not express such an opinion. Had we performed additional procedures, we might have found other matters that we would have reported.

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

¹¹ Campaign Code 0811.

¹² Procedure Number 10.

¹³ *Combined Federal Campaign Operational Guidelines*, Publication 530, October 2011.

Appendix A: Additional Information

Background

The Postal Service Information Technology and 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 March 2, 2012, the Postal Service employed more than 643,400 people (about 529,000 with benefits).

During each payroll period reviewed,¹⁴ the Postal Service withheld more than \$83 million and contributed about \$303 million towards benefits. The Postal Service transmitted these funds to the OPM via the Retirement and Insurance Transfer System 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 2011 and March 2012.

The Combined Federal Campaign is the world's largest annual workplace charity campaign. Postal Service employees make contributions through payroll deductions to support eligible non-profit organizations that provide health and human services throughout the world. The Postal Service Information Technology and Accounting Services in Eagan, MN, is responsible for payroll coding and disbursing the contributions to 198 campaigns.

The OPM correlates campaigns with work locations (cities, counties, and states). The Postal Service has about 32,500 locations, of which about 1,400 are in work locations with no official campaign. During the payroll period reviewed, about 85,800 Postal Service employees contributed \$904,100 to the campaigns through payroll deductions. Contributions are submitted to the campaigns via electronic funds transfer. If the electronic funds transfer is unsuccessful, a check is issued and mailed to the campaign.

Objectives, Scope, and Methodology

Our objectives were to:

- Assist the OPM in assessing the reasonableness of employee benefit withholdings and Postal Service benefit contributions in the *Report of Withholdings and Contributions for Health Benefits, Life Insurance and Retirement*, as well as enrollment information in the *Supplemental Semiannual Headcount Report*.
- Confirm the Combined Federal Campaign program accounting codes and payroll data with the OPM records.

¹⁴ This timeframe included 57,975 employees who declined health benefits and 1,693 employees who waived life insurance coverage.

To accomplish our objectives, we applied the agreed-upon procedures to the payroll periods ending August 26, 2011, and February 24, 2012, coinciding with the *Supplemental Semiannual Headcount Report* for September 2, 2011, and March 2, 2012, respectively. We randomly selected another payroll period, ending May 18, 2012, for additional testing. We limited our Combined Federal Campaign testing to one payroll period ending February 24, 2012.

We confirmed Retirement and Insurance Transfer System data by verifying payroll source documents. We reviewed personnel documents for 45 employees¹⁵ 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. For the Combined Federal Campaign program, we compared work locations, accounting codes, and payroll deductions to the campaigns approved by the OPM to identify differences.

We conducted this engagement from April through September 2012 in accordance with the American Institute of Certified Public Accountants attestation standards and generally accepted government auditing standards. The sufficiency of the agreed-upon 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 agreed-upon procedures either for the purpose for which this report has been requested or for any other purpose. We discussed our observations and conclusions with management on September 18, 2012, 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.

¹⁵ The universe for sample selection does not include 148,510 employees who elected health benefits and basic life insurance only (no optional coverage elected).

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact
<i>Independent Report on Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting to the Office of Personnel Management</i>	FT-AR-11-012	9/29/11	\$-0-
Report Results: We identified differences between the health benefit election information in payroll records and the <i>Health Benefit Election Form</i> for one employee of the 10 reviewed; and life insurance election information in payroll records and the <i>Life Insurance Election</i> form for one employee of the 25 reviewed. We identified 58 of 209 Combined Federal Campaigns in the Postal Service's payroll system that had different campaign names and addresses from those the OPM provided. We identified 587 of 100,613 employees whose campaign codes in the Postal Service's payroll system did not match the OPM's campaign code associated with the employee's work location. This included four employees at work locations that have no official campaign. We made no recommendations.			
<i>Independent Report on Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the Office of Personnel Management</i>	FT-AR-10-013	9/22/10	\$-0-
Report Results: We identified differences between life insurance election information in payroll records and the <i>Life Insurance Election</i> form for two employees of 25 reviewed. We made no recommendations.			
<i>Independent Report on Withholdings and Contributions for Health Benefits, Life Insurance, Retirement, and Employee Headcount Data</i>	FT-AR-09-010	9/18/09	\$-0-
Report Results: 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.			

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. In addition, to assist OPM in identifying and correcting errors relating to processing and distributing Combined Federal Campaign (CFC) payroll deductions.

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.

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

The additional procedures below, beginning with Step 7, were developed to assist in identifying and correcting significant errors in the processing of payroll deductions to the campaigns in a timely manner.

REQUIRED DOCUMENTATION/PROCEDURES

For employee benefit withholding and contributions, obtain the APP's September 2011 and March 2012 Semiannual Headcount Reports submitted to OPM and a summary of RITS submissions for September 2011 and the current fiscal year. For each program (retirement, health and life) select a total of three RITS submissions for September 2011 and the current FY 2012; two will coincide with the September 2011 and March 2012 Semiannual Headcount Report. Obtain payroll information for the periods covered by the RITS submissions selected.

For the CFC payroll deductions, 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 2011 Combined Federal Campaign (CFC) solicitation period (September 1, 2011 through December 15, 2011) for each federal agency serviced. The list must include either OPM Office Duty Station Code or 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 (OCFC) by sending an e-mail request to cfc@opm.gov. The subject line of the e-mail should be "Payroll Office AUPs-2011 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 2012 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 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 (FGLI) 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 1,000, divide it by 1,000, and then multiply it by the rate for the respective age group. Multiply this amount by the number of multiples chosen for Option B Life Insurance. Compare the calculated amount to the amount withheld for Option B Life Insurance. Report any differences resulting from this step and obtain management's explanation for the differences.
 - 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 2011 and March 2012 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 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 2,500 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.
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, 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.
10. From the list of accounting codes that do not agree with the field office/duty station, select a judgmental sample of two pledges per federal agency and request the hard copy pledge form from the agency.
 - Determine if the pledge form used was for the correct campaign based on the official duty station.

CFC AUPs EVALUATION: Report as a finding the following:

- a) All instances in which 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 OCFC. A chart detailing the differences should be included. Obtain management's explanation for the differences and a corrective action plan.
- b) All instances in which a federal agency has a CFC deduction for an employee whose official duty station is in an area with no local CFC campaign. A chart listing the Federal agency, the duty station code and the campaign receiving the funds should be included. Obtain management's explanation for the differences and a corrective action plan.
- c) All instances in which the accounting code for an employee with CFC deductions does not agree to the accounting code for that employee's Official Duty Station. A chart listing the Federal agency, the duty station code, the campaign used and the correct campaign should be included. Obtain management's explanation for the differences and a corrective action plan.
- d) All instances in which the incorrect pledge form was used by the employee. A chart listing the Federal agency, the correct campaign and the campaign used should be included.

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/Research/Standards/AuditAttest/DownloadableDocuments/AT-00201.PDF> paragraphs 31 and 32, and <http://www.gao.gov/govaud/iv2011gagas.pdf> Chapter 5, 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 FinancialBALs@opm.gov.

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

Appendix C: Unmatched Combined Federal Campaign Names and Addresses

Code	Name/Address per Postal Service	Name/Address per OPM	Differences			
			Inactive	Name	Address	Zip Code
0006	Mobile Area PO Drawer 89 Mobile, AL 36601-0089	Southwest Alabama 218 Saint Francis St Mobile, AL 36602-2913		.	.	.
0113	29 Palms Area	None Listed	.			
0198	Manasota	None Listed	.			
0216	Lowndes, Tift and Colquitt Counties	None Listed	.			
0231	Eastern Idaho/Western Wyoming	None Listed	.			
0249	Chicago Area 44 E Main, Suite 208 Champaign, IL 31820-3649	Chicago Area 44 E Main, Suite 208 Champaign, IL 61820-3649				.
0285	Jefferson County	None Listed	.			
0289	Michiana	None Listed	.			
0337	Salina	None Listed	.			
0377	Northeast Louisiana	None Listed	.			
0428	Southeast Massachusetts	None Listed	.			
0459	Muskegon County	None Listed	.			
0507	Warren County PO Box 203 Vicksburg, MS 39180-0203	Warren County PO Box 203 Vicksburg, MS 39181-0203				.
0541	Southwest Montana	None Listed	.			
0660	Salisbury-Rowan Counties PO Box 5065 Salisbury, NC 28147-0088	Rowan/Iredell Counties PO Box 5065 Salisbury, NC 28147-0088		.		
0735	Blair Huntington County	None Listed	.			
0738	Greater Lehigh Valley	None Listed	.			
0750	Centre/Clearfield Counties	None Listed	.			
0759	Westmoreland Area	None Listed	.			
0760	Luzerne/Columbia Counties 8 W Market St, Suite 450 Wilkes-Barre, PA 18701-1808	Northeast Pennsylvania 8 W Market St, Suite 450 Wilkes-Barre, PA 18701-1808		.		
0763	Fayette County	None Listed	.			
0775	Shaw-Sumter-Clar-Lee	None Listed	.			
0790	Aberdeen Area	None Listed	.			
0793	Fall River	None Listed	.			
0806	West Tennessee	None Listed	.			
0830	West Central Texas PO Box 82 Abilene, TX 79604-0092	Greater West Texas PO Box 82 Abilene, TX 79604-0092		.		
0833	Southeast Texas	None Listed	.			
0844	Galveston	None Listed	.			
0849	Midland-Odessa	None Listed	.			

Code	Name/Address per Postal Service	Name/Address per OPM	Differences			
			Inactive	Name	Address	Zip Code
0957	Badgerland 2059 Atwood Ave Madison, WI 53707-6608	Badgerland 2059 Atwood Ave Madison, WI 53704-6608				.
0970	Natrona County and Rural Wyoming Area	None Listed	.			
0976	Virgin Islands	None Listed	.			
32	Totals		25	4	1	4

Appendix D: Unmatched Combined Federal Campaign Codes

Duty Station Finance Number	City	County	State	Code per Postal Service	Code per OPM	Number of Employees
010400	Ashland	Clay	AL	0002	0006	2
072380	Aurora	Arapahoe	CO	0990	0141	4
072384	Aurora	Arapahoe	CO	0990	0141	3
086052	Plymouth	Litchfield	CT	0162	0164	1
089490	Windsor	Hartford	CT	0990	0162	3
089495	Windsor	Hartford	CT	0432	0162	3
104070	Washington	District of Columbia	DC	0665	0990	1
104077	Washington	District of Columbia	DC	0665	0990	1
128308	Atlanta	Fulton	GA	0809	0211	1
166366	Pontiac	Livingston	IL	0193	0249	1
173588	Munster	Lake	IN	0283	0249	8
216569	New Orleans	Orleans	LA	0845	0372	1
271534	Cleveland	Bolivar	MS	0506	None	4
274459	Louisville	Winston	MS	0501	None	1
274615	McCarley	Carroll	MS	0501	None	1
275603	New Hebron	Lawrence	MS	0500	None	1
337928	Bellmawr	Camden	NJ	0990	0580	1
350070	Albion	Orleans	NY	0630	0621	10
360096	Albemarle	Stanly	NC	0897	0655	3
362816	Franklin	Macon	NC	0990	None	1
450660	Blacksburg	Cherokee	SC	0655	None	2
452520	Easley	Pickens	SC	0774	None	1
454720	Lamar	Darlington	SC	0773	None	1
457820	Saluda	Saluda	SC	0773	0212	1
473108	Fayetteville	Lincoln	TN	0811	0004	15 ¹⁶
482145	Crosbyton	Crosby	TX	0095	None	1
482263	Dallas	Dallas	TX	0990	0839	3
487980	San Antonio	Bexar	TX	0002	0852	1
545936	Nordland	Jefferson	WA	0931	0921	1
549156	Wenatchee	Chelan	WA	0924	0928	4
30	Totals					81

¹⁶ This coding error is resolved. As previously stated, Postal Service management confirmed with the OPM's website that in 2010, the Tennessee Regional Combined Federal Campaign added Lincoln County, TN, formerly part of the Tennessee Valley Combined Federal Campaign. Therefore, a reportable difference does not exist.