



## ATTESTATION REPORT

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

September 12, 2017





September 12, 2017

**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-17-011

**BACKGROUND:**

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

Our objectives were to assist OPM in assessing the reasonableness of U.S. Postal Service employee retirement, health benefits and life insurance withholdings; Postal Service benefit contributions; and enrollment information submitted via the headcount report by the Postal Service; and to assist OPM in identifying and correcting errors related to processing and distributing Combined Federal Campaign (CFC) payroll deductions.

This report is not suitable for any other purpose.

**WHAT THE OIG FOUND:**

We performed the procedures agreed upon by the Inspector General and the Chief Financial Officer of the OPM to assist OPM in assessing the reasonableness of retirement, health benefits and life insurance withholdings and contributions, as well as enrollment information submitted via the headcount report. We also performed procedures to assist OPM in identifying and

correcting errors related to processing and distributing CFC deductions.

We identified issues related to life insurance premiums, elections, and withholdings; military deposit reporting; and CFC campaign contact information and deductions. Specifically:

- A basic life insurance premium was incorrectly calculated for one of 25 employees.
- We could not verify life insurance elections for two of 25 employees reviewed.
- The Postal Service did not separately report "Federal Employee Retirement System Revised Annuity Employee" and "Further Revised Annuity Employee" military deposits on the September 2016 and March 2017 headcount reports.
- The difference between the U.S. Postal Service OIG recalculated Option C life insurance withholdings and Option C life insurance withholdings for the pay period ending March 3, 2017, reported by the Postal Service, exceeded OPM's reportable threshold.
- The Postal Service records for 33 of 137 active CFC campaigns contained outdated or incorrect contact information.

- CFC codes in the Postal Service's payroll system for 167 of 56,027 CFC deductions did not match the OPM campaign code associated with the employee's official duty station. Additionally we identified one employee with a CFC deduction whose official duty station was located in an area with no local campaign.

As a result of our engagement, the Postal Service took corrective action on three of the six issues identified in this report: basic life insurance premium, life insurance election forms and military deposits.

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

***WHAT THE OIG RECOMMENDED:***

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

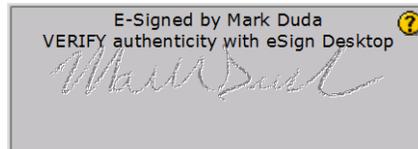
*[Link to review the entire report](#)*



September 12, 2017

**MEMORANDUM FOR:** JEFFREY C. WILLIAMSON  
CHIEF HUMAN RESOURCES OFFICER AND EXECUTIVE  
VICE PRESIDENT

MAURA A. MCDEVITT  
VICE PRESIDENT, CONTROLLER



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

**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-17-011)

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 17BG010FT000). This report is provided for information only and requires no management action.

At the request of the OPM OIG, we performed the agreed-upon procedures in accordance with attestation standards established by the American Institute of Certified Public Accountants and generally accepted government auditing standards. The purpose of this report is to assist OPM assess the reasonableness of retirement, health benefits and life insurance withholdings and contributions, as well as enrollment information submitted via the headcount report, and identify and correct errors related to processing and distributing Combined Federal Campaign (CFC) payroll deductions. This report is not suitable for any other purpose.

We were not engaged to perform, and did not perform, an examination or review, the objective of which would have been the expression of an opinion or conclusion,

respectively, on the withholdings and contributions for health benefits, life insurance, and retirement; enrollment information; and the CFC program. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, we might have found other matters that we would have reported.

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

Attachment

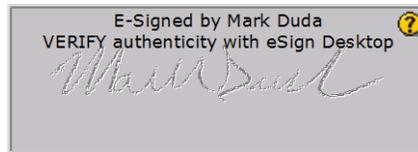
cc: Corporate Audit and Response Management  
Julie S. Moore



September 12, 2017

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

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



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

**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-17-011)

This report presents the results of our performance of the procedures agreed upon by the Inspector General and the Chief Financial Officer of the U.S. Office of Personnel Management (OPM) (Project Number 17BG010FT000).

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

We were not engaged to perform, and did not perform, an examination or review, the objective of which would have been the expression of an opinion or conclusion,

respectively, on the withholdings and contributions for health benefits, life insurance, and retirement; enrollment information; and the CFC program. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, we might have found other matters that we would have reported.

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

Attachment

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

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## Introduction

This report presents the results of our performance of the procedures agreed upon by the Inspector General and the Chief Financial Officer of the U.S. Office of Personnel Management (OPM) (Project Number 17BG010FT000). The report responds to the OPM's request for help 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 September 2, 2016, September 30, 2016, and March 3, 2017; the enrollment information reported in the *Supplemental Semiannual Headcount Report* (headcount report) for September 2016 and March 2017; and the Combined Federal Campaign (CFC) information for the payroll period ended March 3, 2017. See [Appendix A](#) for additional information about this engagement.

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

This attestation engagement is an annual requirement of the U.S. Office of Management and Budget's Circular Number A-136, *Financial Reporting Requirements*, and Bulletin 15-02, *Audit Requirements for Federal Financial Statements*. The OPM administers pension, health insurance, and life insurance benefits for federal agencies and manages the CFC to ensure compliance with CFC regulations.

## Summary

We performed the procedures agreed upon by the OPM's Inspector General and Chief Financial Officer to help OPM assess the reasonableness of retirement, health benefits and life insurance withholdings and contributions, and enrollment information submitted via the headcount report. We also performed procedures to assist OPM in identifying and correcting errors related to processing and distributing CFC deductions. See [Appendix D](#) for the complete results. We identified issues related to life insurance premiums, elections, and withholdings; military deposit reporting; and CFC campaign contact information and deductions.

Specifically:

- A basic life insurance premium was incorrectly calculated for one of 25 employees.
- We could not verify life insurance elections for two of 25 employees reviewed because the Life Insurance Election Forms were not present in the electronic Official Personnel Folder (eOPF).<sup>1</sup>
- The Postal Service did not separately report “Federal Employee Retirement System (FERS) Revised Annuity Employee (RAE)” and “Further Revised Annuity Employee (FRAE)” military deposits in the September 2016 or March 2017 headcount reports.
- The difference between the U.S. Postal Service Office of Inspector General’s (OIG) recalculated Option C<sup>2</sup> life insurance withholdings and the Postal Service’s reported Option C life insurance withholdings for the pay period ending March 3, 2017, exceeded OPM’s reportable threshold.
- The Postal Service records for 33 of 137 active CFC campaigns contained outdated or incorrect contact information.
- CFC codes in the Postal Service’s payroll system for 167 of 56,027 CFC deductions did not match the OPM campaign code associated with the employee’s official duty station. Additionally we identified one employee with a CFC deduction whose official duty station was located in an area with no local campaign.

As a result of our engagement, the Postal Service took corrective action on three of the six issues identified in this report: basic life insurance premium, life insurance election forms and military deposits. See [Appendix D](#) for a summary of all the agreed-upon procedures performed.

### **Basic Life Insurance Premium**

The basic life insurance premium for one of 25 employees reviewed was incorrectly calculated.<sup>3</sup> Specifically, the Postal Service calculated the premium based on the employee’s basic pay. However, the employee received higher level pay on the last day of the pay period.<sup>4</sup> Postal Service policy states basic life insurance premiums should be

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<sup>1</sup> The eOPF documents an individual’s employment history. Generally, when a document is scanned into eOPF, the scanned image becomes the official record of the document.

<sup>2</sup> Option C life insurance may be elected to cover eligible family members. Up to five multiples may be elected. A multiple is equal to \$5,000 for a spouse or \$2,500 for a dependent child.

<sup>3</sup> Procedure 2.h.

<sup>4</sup> Employees receive higher-level pay when they are temporarily assigned to perform the duties or to assume the responsibilities of a ranked or evaluated position that is at a higher level than that of the employee’s official position.

calculated using higher level pay when the employee received higher level pay on the last day of the pay period.<sup>5</sup> This occurred because the payroll system's Last Day (LD) indicator for the higher level pay was set to "N" (No). The system calculates basic life insurance premiums based on the higher level salary when the LD indicator in week two of the pay period is set to "Y" (Yes). As a result, the Postal Service underpaid the life insurance premium contribution for one pay period by \$0.22. The OPM requires we report any incorrectly calculated basic life insurance premiums.

Management stated the LD indicator was set to "N" due to an error in the Time and Attendance Collection System (TACS)<sup>6</sup> application and they are investigating the issue. As of the date of this report, the TACS information technology team is reviewing the business rules related to the LD indicator and plans to update the system and perform testing.

### Life Insurance Election Forms

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

HRSSC could not explain why the employees' Life Insurance Election Forms were missing. However, as a result of our engagement, HRSSC personnel completed a "Federal Employees' Group Life Insurance (FEGLI): Missing Document – Note to File" for each employee to serve as the official record of their elections.

### Military Deposits

The Postal Service did not separately report FERS-RAE and FERS-FRAE military deposits on the September 2016 or March 2017 headcount reports. Instead, the Postal Service entered the entire amount on the FERS military deposit line of the headcount report. This occurred because the Payroll Systems report that Postal Service personnel use to support military deposit amounts does not list the FERS-RAE and FERS-FRAE deposits separately.

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<sup>5</sup> *Employee and Labor Relations Manual (ELM)*, Chapter 5, Employee Benefits, dated March 2016.

<sup>6</sup> The system used by all installations that automates the collection of employee time and attendance information.

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

<sup>8</sup> The national operational and processing center for personnel actions in Greensboro, NC. The HRSSC also provides a call center staffed by human resources specialists and provides self service options that employees use to manage their benefits.

We recalculated the headcount reports<sup>9</sup> and determined that the Postal Service understated FERS-RAE and FERS-FRAE military deposits by \$31,561 and 432 deductions in September 2016, while overstating FERS military deposits by the same amount. See Table 1 for a breakdown of the September 2016 headcount report.

**Table 1. Military Deposits, September 2016 Headcount Report**

Line Item	Headcount Report		OIG Recalculation		Difference	
	Dollars	Deductions	Dollars	Deductions	Dollars	Deductions
FERS-RAE	\$ -	-	\$ 1,966	31	\$ 1,966	31
FERS-FRAE	-	-	29,595	401	29,595	401
FERS	231,738	2,099	200,177	1,667	(31,561)	(432)
Total	\$ 231,738	2,099	\$ 231,738	2,099	\$ -0-	-0-

Source: September 2016 headcount report and Postal Service Payroll Systems.

The Postal Service also understated FERS-RAE and FERS-FRAE military deposits by \$38,183 and 522 deductions in March 2017, while overstating FERS military deposits by the same dollar amount and 521 deductions.<sup>10</sup> See Table 2 for a breakdown of the March 2017 headcount report.

**Table 2. Military Deposits, March 2017 Headcount Report**

Line Item	Headcount Report		OIG Recalculation		Difference	
	Dollars	Deductions	Dollars	Deductions	Dollars	Deductions
FERS-RAE	\$ -	-	\$ 1,213	27	\$ 1,213	27
FERS-FRAE	-	-	36,969	495	36,969	495
FERS	161,590	2,087	123,407	1,566	(38,183)	(521)
Total	\$ 161,590	2,087	\$ 161,589	2,088	\$ (1) <sup>11</sup>	1

Source: March 2017 headcount report and Postal Service Payroll Systems.

As a result of our engagement, Postal Service personnel agreed to modify the applicable payroll system report to list FERS, FERS-RAE, and FERS-FRAE military deposits separately. They expect to implement this change by October 16, 2017.

### Optional Life Insurance Withholdings

The OIG's recalculation of FEGLI Option C withholdings<sup>12</sup> reported on Standard Form (SF) 2812, Report of Withholdings and Contributions for Health Benefits, Life Insurance, and Retirement, for the payroll period ending March 3, 2017, differed from the Postal Service reported amount by \$12,021, or 2.09 percent. This difference occurred primarily because the Postal Service included about \$8,450 of adjustments related to previous

<sup>9</sup> Procedure 5.

<sup>10</sup> We did not determine the cause of the one military deposit deduction difference.

<sup>11</sup> Difference due to rounding.

<sup>12</sup> Procedure 6.d.

payroll periods in the amount.<sup>13</sup> The methodology specified by OPM to calculate Option C withholdings<sup>14</sup> does not account for adjustments. Adjustments occurred most commonly for corrections to prior pay periods, and Postal Service management stated they are not unusual.

### **Incorrect Combined Federal Campaign Contact Information**

Postal Service records for 33 of 137 active CFC campaigns contained outdated or incorrect information for one or more of the following: campaign name, Principal Combined Fund Organization (PCFO) name, street address, city, state, and ZIP.<sup>15</sup> See [Appendix B](#) for the list of differences we identified and provided to management. As of the date of this report, we have not received any information regarding corrective action taken.

The Postal Service uses electronic funds transfer (EFT) to transmit employee contributions to campaigns. Bank routing numbers and account numbers are the primary data elements that ensure a successful transaction; however, if an EFT is unsuccessful, the Postal Service issues and mails a check to the appropriate 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 to the most recent OPM monthly update to ensure the mailing address is current.<sup>16</sup>

### **Combined Federal Campaign Deductions**

CFC codes in the Postal Service's payroll system for 167<sup>17</sup> of 56,027 CFC deductions did not match the OPM campaign code associated with the employee's official duty station. Using our own analysis, along with information provided by management, we were able to categorize all 167 CFC deductions into three broad types of mismatches: resigned or changed duty station after CFC sign-up, duty station does not reflect work location, and confirmed or potential input error. See [Appendix C](#) for details. As a result of our engagement, management agreed to investigate and correct any errors. We did not validate the accuracy of the OPM data or other potential causes of the differences between the Postal Service's and the OPM's data because it was beyond the scope of this attestation engagement.

Additionally, as shown in [Table 3](#), we identified one employee with a CFC deduction whose official duty station was located in an area with no local campaign.<sup>18</sup>

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<sup>13</sup> Excluding adjustments, the variance was 0.6 percent.

<sup>14</sup> Rate for the age group \* number of multiples chosen.

<sup>15</sup> Procedure Number 8.b,

<sup>16</sup> EFT is generally used and checks are rarely issued.

<sup>17</sup> Two additional employees were assigned to duty stations classified by the Postal Service as inactive. We did not include these employees as exceptions because we were unable to determine the corresponding OPM campaign codes.

<sup>18</sup> Procedure Number 9.b.

Management stated this employee contributed to a campaign associated with the employee’s residence rather than the official duty station.

**Table 3. CFC Deductions in Locations with no Local Campaign**

USPS Duty Station	Duty Station Location	Campaign Name	Campaign Code per USPS	Campaign per OPM	Number of Deductions
396611	Kay County, Oklahoma	Green Country CFC	0715	None	1

Source: OIG analysis of OPM list of all CFC campaigns and coverage areas and Postal Service Payroll Systems.

We judgmentally selected four of the employees whose CFC codes did not match the OPM campaign codes associated with their work location and requested the original pledge forms to verify the campaign codes. We determined that all four employees used the correct campaign pledge form for their official duty station at the time of the CFC campaign.

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

The purpose of this report is to assist OPM assess the reasonableness of retirement, health benefits and life insurance withholdings and contributions, as well as enrollment information submitted via the headcount report, and identify and correct errors related to processing and distributing CFC payroll deductions. This report is not suitable for any other purpose.

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

## Appendix A: Additional Information

### Background

Postal Service Accounting Services in Eagan, MN, is responsible for calculating, disbursing, and reporting employee withholdings and Postal Service contributions for health benefits, life insurance, and retirement. As of March 3, 2017, the Postal Service employed more than 652,000 people (about 493,000 with benefits).

During each of the three payroll periods we reviewed,<sup>19</sup> the Postal Service withheld an average of more than \$89 million and contributed over \$314 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 amount associated with each benefit category. Additionally, the Postal Service submitted the headcount report to the OPM detailing the number of employees associated with each benefit category for September 2016 and March 2017.

The CFC 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 HRSSC enters payroll deduction data and Eagan Accounting Services is responsible for disbursing the contributions to campaigns.

The OPM correlates campaigns with work locations (cities, counties, and states). The Postal Service has over 32,000 locations, 851 of which are in work locations with no official CFC campaign. During the payroll period reviewed, 56,027 contributions totaling \$644,783 were made to the campaigns through payroll deductions. Contributions are submitted to campaigns via EFT using bank routing and account numbers. If the EFT submittal is unsuccessful, a check is issued and mailed to the campaign.

### Objectives, Scope, and Methodology

Our objectives were to:

- Assist OPM in assessing the reasonableness of retirement, health benefits, and life insurance withholdings and contributions, as well as enrollment information submitted via the headcount report.
- Assist OPM in identifying and correcting errors related to processing and distributing CFC payroll deductions.

To accomplish our objectives, we applied the agreed-upon procedures to the payroll periods ending September 2, 2016, and March 3, 2017, coinciding with the headcount

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<sup>19</sup> These periods covered 52,612 employees who declined health benefits and 731 employees who declined life insurance coverage in all three pay periods reviewed.

reports for September 2016 and March 2017, respectively. We randomly selected another payroll period, ending September 30, 2016, for additional testing. We limited our CFC testing to one payroll period ending March 3, 2017.

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

We conducted this engagement from April through September 2017, in accordance with generally accepted government auditing standards and the American Institute of Certified Public Accountants attestation standards. We discussed our observations and conclusions with management officials 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	Objective	Report Number	Final Report Date	Monetary Impact
<p><i>Independent Report of Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the Office of Personnel Management</i></p>	<p>1. Help the OPM assess the reasonableness of employee benefit withholdings and Postal Service benefit contributions in the <i>Report of Withholdings and Contributions for Health Benefits, Life Insurance and Retirement</i>, as well as enrollment information in the <i>Supplemental Semiannual Headcount Report</i>.</p> <p>2. Confirm CFC program accounting codes and payroll data with OPM records.</p>	<p>FT-AR-16-009</p>	<p>9/21/2016</p>	<p>None</p>
<p><i>Independent Report of Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the Office of Personnel Management</i></p>	<p>1. Help the OPM assess the reasonableness of employee benefit withholdings and Postal Service benefit contributions in the <i>Report of Withholdings and Contributions for Health Benefits, Life Insurance and Retirement</i>, as well as enrollment information in the <i>Supplemental Semiannual Headcount Report</i>.</p> <p>2. Confirm CFC program accounting codes and payroll data with OPM records.</p>	<p>FT-AR-15-010</p>	<p>9/16/2015</p>	<p>None</p>

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
<i>Independent Report of Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the Office of Personnel Management</i>	1. Help the OPM assess the reasonableness of employee benefit withholdings and Postal Service benefit contributions in the <i>Report of Withholdings and Contributions for Health Benefits, Life Insurance and Retirement</i> , as well as enrollment information in the <i>Supplemental Semiannual Headcount Report</i> .  2. Confirm CFC program accounting codes and payroll data with OPM records.	<a href="#">FT-AR-14-012</a>	9/19/2014	None

**Appendix B: CFC Contact Information Differences**

Campaign Name	Campaign Code	Postal Service Information Differences						Number of Deductions
		Name	PCFO Name	Street Address	City	State	ZIP	
CENTRAL CALIFORNIA CFC	0095		✓	✓			✓	265
CENTRAL OKLAHOMA CFC	0712			✓			✓	153
CENTRAL VIRGINIA AREA CFC	0900		✓	✓	✓		✓	371
CFC OF LOUISIANA	0372	✓						765
CFC OF N(ORTH) TEXAS/JACKSON C(OU)NTY OK	0857			✓			✓	16
CFC OF NEW YORK CITY	0626		✓	✓	✓	✓	✓	2,902
CFC OF THE MID SOUTH	0809		✓	✓	✓	✓	✓	631
CFC OF THE NAT(IONA)L CAPITAL AREA	0990		✓		✓	✓	✓	2,471
CFC, S(OUTH)E(AST) TRI-STATE REGION	0191	✓						44
COASTAL BEND AREA CFC	0838	✓						0
COASTAL GEORGIA CFC	0218						✓	16
DESERT VALLEY CFC	0606	✓						79
GREATER NORTH CAROLINA AREA CFC	0655			✓	✓	✓	✓	1,501
GREATER OLYMPIC PENNINSULA CFC	0921			✓				13
ILLOWA BI-STATE CFC	0259			✓	✓		✓	102
INLAND NORTHWEST CFC	0924			✓			✓	145
JACKSON METRO AREA CFC	0503						✓	0
KING COUNTY/ N(ORTH) PUGET	0923	✓		✓	✓		✓	610

Campaign Name	Campaign Code	Postal Service Information Differences						Number of Deductions
		Name	PCFO Name	Street Address	City	State	ZIP	
SOUND (WA)								
KINGS/TULARE CFC	0116			✓	✓		✓	0
KLAMATH AND LAKE COUNTIES CFC	0727			✓				0
MA CT AND RI CFC	0427	✓						4,087
MONTANA CFC	0540	✓						0
MUSCLE SHOALS AREA CFC	0007					✓		4
NORTHERN LIGHTS CFC	0481			✓				139
NORTHWEST FLORIDA CFC	0180			✓			✓	0
RIO GRANDE VALLEY CFC	0846						✓	344
SAN ANGELO AREA CFC	0851			✓			✓	4
S(OUTH)E(AST) MICHIGAN AREA CFC	0452			✓	✓	✓	✓	2,189
SOUTH HAMPTON ROADS CFC	0897			✓			✓	200
SOUTHWESTERN NORTH DAKOTA CFC	0670			✓			✓	0
SUNCOAST CFC	0197			✓				0
SUNSHINE CFC	0189	✓		✓				3,739
UP-NORTH MICHIGAN CFC	0466						✓	104

Source: OIG analysis of OPM CFC Master List and Postal Service Payroll Systems data.

**Appendix C: CFC Deductions for Incorrect Campaigns**

Duty Station Finance Number	State - County	CFC Code per USPS	CFC Code per OPM	Explanation			Number of Deductions at USPS
				Resigned or Changed Duty Station After CFC Sign-up	Duty Station Does Not Reflect Work Location	Confirmed or Potential Input Error	
032608	AZ - LA PAZ	0052	0051	✓			1
036372	AZ - MARICOPA	0189	0052	✓			1
036372	AZ - MARICOPA	0684	0052	✓			1
036389	AZ - MARICOPA	0626	0052	✓			1
053639	VA - ACCOMACK	0106	0405		✓		1
054705	VA - GREENSVILLE	0106	0897		✓		2
056770	CA - SAN DIEGO	0096	0105	✓			1
071201	VA - CAMPBELL	0141	0901		✓		3
079950	UT - PIUTE	0141	0870	✓	✓		2
080136	CT - NEW HAVEN	0002	0427			✓	2
080586	CT - FAIRFIELD	0191	0427			✓	4
080850	CT - LITCHFIELD	0191	0427			✓	1
081258	CT - MIDDLESEX	0191	0427			✓	2
081836	CT - NEW HAVEN	0191	0427			✓	1
082958	CT - LITCHFIELD	0191	0427			✓	1
083354	CT - HARTFORD	0191	0427			✓	3
083355	CT - HARTFORD	0191	0427			✓	2
084386	CT - HARTFORD	0191	0427			✓	1
087004	CT - HARTFORD	0191	0427			✓	1
102145	DC - DISTRICT OF COLUMBIA	0839	0990	✓			1
102700	DC - DISTRICT OF COLUMBIA	0626	0990	✓			1
102908	DC - DISTRICT OF COLUMBIA	0728	0990	✓			1

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Duty Station Finance Number	State - County	CFC Code per USPS	CFC Code per OPM	Explanation			Number of Deductions at USPS
				Resigned or Changed Duty Station After CFC Sign-up	Duty Station Does Not Reflect Work Location	Confirmed or Potential Input Error	
104055	DC - DISTRICT OF COLUMBIA	0427	0990	✓			1
104219	DC - DISTRICT OF COLUMBIA	0002	0990	✓			1
108204	MD - ALLEGANY	0990	0405	✓			1
113061	FL - BROWARD	0589	0189	✓			1
113227	FL - ALACHUA	0728	0185	✓			1
114411	FL - DUVAL	0211	0185	✓			1
115175	FL - LAKE	0185	0192	✓			1
115605	FL - MANATEE	0427	0189	✓			1
115854	FL - BROWARD	0773	0189	✓			1
116812	FL - DADE	0589	0189	✓			1
116934	FL - ORANGE	0626	0192	✓			1
118927	FL - HILLSBOROUGH	0626	0189	✓			1
120400	VA - NOTTOWAY	0211	0900		✓		1
120439	GA - FULTON	0589	0211	✓			1
120441	GA - FULTON	0589	0211	✓			1
123569	GA - GWINNETT	0189	0211	✓			1
123569	GA - GWINNETT	0626	0211	✓			1
124520	VA - MONTGOMERY	0211	0901		✓		4
142401	HI - HONOLULU	0466	0225	✓			1
152100	ID - ADAMS	0191	0870	✓			1
166027	IL - COOK	0218	0249	✓			1
167656	IL - ALEXANDER	0191	0528			✓	1
182511	IA - SCOTT	0427	0259			✓	1
230660	VA - CAMPBELL	0990	0901		✓		3

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				Resigned or Changed Duty Station After CFC Sign-up	Duty Station Does Not Reflect Work Location	Confirmed or Potential Input Error	
235220	MD - ST MARYS	0990	0405	✓			1
238046	MD - CALVERT	0405	0990			✓	1
239363	MD - HOWARD	0754	0405	✓			1
250021	VA - ROCKBRIDGE	0452	0901		✓		1
252492	MI - WAYNE	0528	0452	✓			1
252495	MI - WAYNE	0453	0452	✓			2
254540	MI - LIVINGSTON	0458	0452	✓			1
256180	MI - MIDLAND	0453	0458	✓			1
257640	MI - OAKLAND	0211	0452	✓			1
264725	VA - CHARLOTTE	0481	0901		✓		3
268325	VA - <sup>20</sup>	0481	0990		✓		1
268339	MN - RAMSEY	0655	0481	✓			1
284026	MO - JACKSON	0096	0524	✓			1
284069	VA - SUSSEX	0528	0897		✓		13
288334	MO - JASPER	0193	0524	✓			1
327440	NH - CARROLL	0191	0571			✓	1
332115	NJ - BERGEN	0191	0589			✓	2
333676	VA - BATH	0589	0901		✓		1
335925	NJ - HUDSON	0626	0589	✓			1
338552	NJ - MERCER	0589	0751	✓			1
350978	NY - NASSAU	0452	0642	✓			1
355831	NY - NEW YORK	0589	0626	✓			1

<sup>20</sup> The organizational address for this duty station is in VA, but the physical location is in MN. Therefore, the Postal Service-assigned county code does not translate to an actual county in VA.

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				Resigned or Changed Duty Station After CFC Sign-up	Duty Station Does Not Reflect Work Location	Confirmed or Potential Input Error	
356888	NY - QUEENS	0655	0626	✓			1
362682	NC - CUMBERLAND	0655	0656	✓			1
362685	NC - CUMBERLAND	0655	0656	✓			1
364720	VA - SUSSEX	0655	0897		✓		2
365231	NC - IREDELL	0655	0660	✓			1
365560	NC - SAMPSON	0427	0656			✓	1
366347	NC - WAKE	0211	0655	✓			1
381747	OH - FRANKLIN	0686	0685	✓			1
381786	OH - FRANKLIN	0283	0685			✓	4
381800	VA - CUMBERLAND	0685	0891		✓		2
382094	OH - MONTGOMERY	0283	0686			✓	1
382111	OH - MONTGOMERY	0283	0686			✓	1
385138	OH - MONTGOMERY	0283	0686			✓	1
385601	VA - CARROLL	0684	0901		✓		4
401681	OR - CLACKAMAS	0751	0728	✓			1
411824	PA - ALLEGHENY	0191	0754			✓	1
413928	PA - ALLEGHENY	0191	0754			✓	1
419926	PA - ALLEGHENY	0191	0754			✓	1
451803	SC - RICHLAND	0211	0773	✓			1
452670	SC - LANCASTER	0773	0655	✓			1
453623	SC - GREENVILLE	0189	0773	✓			1
472737	TN - SHELBY	0283	0809			✓	3
472737	TN - SHELBY	0528	0809			✓	17
475670	TN - SHELBY	0283	0809			✓	1
476145	TN - DAVIDSON	0096	0811	✓			1

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Duty Station Finance Number	State - County	CFC Code per USPS	CFC Code per OPM	Explanation			Number of Deductions at USPS
				Resigned or Changed Duty Station After CFC Sign-up	Duty Station Does Not Reflect Work Location	Confirmed or Potential Input Error	
480405	TX - TRAVIS	0846	0831	✓			1
480411	TX - TRAVIS	0809	0831	✓			1
480421	TX - TRAVIS	0105	0831	✓			1
480421	TX - TRAVIS	0249	0831	✓			1
483251	TX - TARRANT	0211	0839	✓			1
486320	TX - COMAL	0831	0852	✓			1
487110	TX - COLLIN	0990	0839	✓			1
511751	VA - CHESAPEAKE (IND CITY)	0900	0897	✓			1
512504	VA - FAIRFAX	0189	0990	✓			1
540606	WA - KING	0839	0923	✓			1
547603	WA - KING	0189	0923	✓			1
547621	WA - KING	0924	0923	✓			1
547637	WA - KING	0560	0923	✓			1
548054	WA - SPOKANE	0589	0924	✓			1
567820	WI - SAUK	0249	0957	✓			1
104 unique	TOTAL Deductions			69	42	56	167

Source: OIG analysis of OPM list of all CFC campaigns and coverage areas and Postal Service Payroll Systems.

**Appendix D: Agreed Upon Procedures Results**

Procedure	Finding
<b>1. Compare RITS submission data to the payroll information by performing the following procedures.</b>	
1.a	No Exceptions
1.b	No Exceptions
1.c	No Exceptions
<b>2. Perform detail testing of a random sample of transactions.</b>	
2.a	No Exceptions
2.b	No Exceptions
2.c	No Exceptions
2.d	No Exceptions
2.e	No Exceptions
2.f	No Exceptions
2.g	No Exceptions
2.h	See Finding: <a href="#">Basic Life Insurance Premium</a>
2.i	See Finding: <a href="#">Life Insurance Election Forms</a>
2.j	No Exceptions
<b>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.</b>	
3.a	No Exceptions
3.b	No Exceptions
<b>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.</b>	
4.a	No Exceptions
4.b	No Exceptions
<b>5. Calculate the headcount reflected on the September 2016 and March 2017 <i>Semiannual Headcount Report</i> selected.</b>	
5.a	No Exceptions
5.b	No Exceptions
5.c	No Exceptions
5.d	See Finding: <a href="#">Military Deposits</a>
<b>6. Calculate employer and employee contributions for retirement, health benefits, and basic life insurance.</b>	

Procedure	Finding
6.a	No Exceptions
6.b	No Exceptions
6.c	No Exceptions
6.d	See Finding: <a href="#">Optional Life Insurance Withholdings</a>
<b>7. Compare the list of field office/duty stations to the list of local CFC campaigns obtained from OPM's Office of CFC Operations.</b>	
7.a	No Exceptions
<b>8. Compare the list of accounting codes to the identified campaigns for each field office/duty station.</b>	
8.a	No Exceptions
8.b	See Finding: <a href="#">Incorrect CFC Contact Information</a>
<b>9. Sort the report of all employees with CFC deductions by official duty station.</b>	
9.a	No Exceptions
9.b	See Finding: <a href="#">CFC Deductions</a>
<b>10. From the list of accounting codes that do not agree with the field office/duty station, select a judgmental sample of four pledges per federal agency and request the hard copy pledge form or electronic copy of the pledge form from the agency/department.</b>	
10.a	No Exceptions

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

## Attachment A: Agreed Upon Procedures

### SECTION 11

#### AGREED-UPON PROCEDURES

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

##### OBJECTIVE

To assist the Office of Personnel Management (OPM) in assessing the reasonableness of Retirement, Health Benefits, and Life Insurance withholdings and contributions as well as enrollment information submitted via the Semiannual Headcount Report. 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, procedures relating to CFC payroll deductions were added to the AUPs. OPM's Office of CFC Operations is responsible for overseeing the CFC program. This program consists of approximately 163 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 2016 and March 2017 Semiannual Headcount Reports submitted to OPM and a summary of RITS submissions for September 2016 and the current fiscal year. For each program (retirement, health and life) select a total of three RITS submissions for September 2016 and the current FY 2017; two will coincide with the September 2016 and March 2017 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 2016 CFC solicitation period (September 1, 2016 through December 31, 2016) 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 OPM CFC by sending an e-mail request to [cfc-compliance@opm.gov](mailto:cfc-compliance@opm.gov). The subject line of the e-mail should be "Payroll Office AUPs–2016 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 2017 Semiannual Headcount. The report must include each employee's official duty station location and the APP'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. Perform detail testing of a random sample of transactions as follows:

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 the payroll transaction with date on the certified copy of the SF-2809 or the agency's automated system report obtained above to identify whether the health benefit information to be used in 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 an 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 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 agency contribution amounts for Basic Life Insurance using the following:

- For employee withholdings: Round the employee's annual base salary up to the nearest thousand dollars and add \$2,000. Divide this total by 1,000 and multiply by the rate required by law. The Life Insurance rates are on OPM's website at <http://www.opm.gov/insure/life/rates/index.asp>.
- For agency contributions: Divide the employee withholdings calculated above by two.

Compare the calculated employee withholdings and agency contributions to the actual amounts withheld and contributed for Basic Life Insurance. Report any differences resulting from this 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 whether the employee waived for 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 2016 and March 2017 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.
  - 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 Basic Life Insurance as follows:

6.a. Calculate employer and employee 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 Basic 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 Basic 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 on page 2. 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 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 with 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 four pledges per federal agency/department and request the hard copy pledge form or electronic copy of the pledge form from the agency/department.
  - 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 CFC. 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 *Bulletin No.15-02, Audit Requirements for Federal Financial Statements*, dated August 4, 2015)

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

11.1 The Agreed-Upon Procedures (AUPs) will be performed annually in accordance with AICPA Professional Standards, AT Section 201, *Agreed-Upon Procedures Engagements*, and GAGAS Chapter 5. The AUPs are designed to assist OPM in assessing the reasonableness of the Retirement, Health Benefits, and Life Insurance withholdings/contributions as well as semiannual headcount information submitted by agencies. The sufficiency of the procedures is solely the responsibility of the Inspector General and the Chief Financial Officer of OPM and will be applied to the 12 months ended August 31 of each year.

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

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

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

11.8 If a specific AUP cannot be performed, the auditor must propose to OPM's OIG in writing no later than *July 15* 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 auditor of the payroll provider is required to report all findings to OPM by adhering to AICPA Professional Standards, AT Section 201, paragraphs 24 through 26 and 31 through 34; and Generally Accepted Government Auditing Standards Chapter 5. 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 [Nicole.Brown-Fennell@opm.gov](mailto:Nicole.Brown-Fennell@opm.gov), with a cc: to [FinancialBALs@opm.gov](mailto:FinancialBALs@opm.gov).

U.S. Office of Personnel Management  
Office of Inspector General  
Room 6400  
1900 E Street, N.W.  
Washington, DC 20415  
Attention: Nicole Brown-Fennell