



United States Department of Agriculture
Office of Inspector General





United States Department of Agriculture
Office of Inspector General
Washington, D.C. 20250



September 27, 2012

The Honorable Patrick E. McFarland
Inspector General
U.S. Office of Personnel Management
Theodore Roosevelt Federal Building
1900 E Street NW, Room 6400
Washington, D.C. 20415-0001

Subject: Agreed-Upon Procedures: Employee Benefits, Withholdings, Contributions, and
Supplemental Semiannual Headcount Reporting Submitted to the Office of Personnel
Management

Dear Mr. McFarland:

This report presents the results of the Agreed-Upon Procedures performed on the subject information processed by the Department of Agriculture's Office of the Chief Financial Officer/National Finance Center as of August 31, 2012.

Our review included information for the following entities, listed in Appendix A of the Office of Management and Budget (OMB) Bulletin 07-04, *Audit Requirements for Federal Financial Statements*, dated September 4, 2007, and amended by OMB Memorandum 09-33, dated September 23, 2009: Department of Agriculture, Department of Commerce, Department of Homeland Security, Department of Housing and Urban Development, Department of Justice, Department of Labor, Department of the Treasury, Agency for International Development, and Small Business Administration.

This review was performed as required by OMB and in accordance with applicable Government Auditing Standards and the *Statements of Standards for Attestation Engagements* established by the American Institute of Certified Public Accountants.

If you have questions, please contact me at (202) 720-6945 or have a member of your staff contact Lynette K. Cockrell, Director, Financial Audit Operations, at (816) 823-3860.

Sincerely,

Gil H. Harden
Assistant Inspector General
for Audit

cc:

Dennis D. Coleman, Chief Financial Officer, Office of Personnel Management

Table of Contents

Executive Summary	1
Independent Auditors' Report.....	3
Abbreviations	5
Exhibit A: Procedures Performed and Results.....	6
Exhibit B: Combined Federal Campaign (CFC) deductions for employees with no local CFC campaign.....	20
Exhibit C: Name, Principal Combined Fund Organization (PCFO) and Address Differences	22
Exhibit D: Accounting Code Differences.....	31
Exhibit E: Incorrect Combined Federal Campaign Pledge Forms	58

Executive Summary

Agreed-Upon Procedures: Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the Office of Personnel Management (11401-0003-11)

Results in Brief

This report presents the results of the Agreed-Upon Procedures performed on the employee benefits, withholdings, contributions, and the *Supplemental Semiannual Headcount Reports* submitted to the U.S. Office of Personnel Management (OPM) by the Department of Agriculture's Office of the Chief Financial Officer/National Finance Center (OCFO/NFC) as of August 31, 2012.¹

Our objective was to perform the procedures detailed in the Office of Management and Budget (OMB) Bulletin 07-04, *Audit Requirements for Federal Financial Statements*, as amended,² to assist OPM in assessing the reasonableness of retirement, health, and life insurance withholdings/contributions, and employee data submitted by OCFO/NFC for the following entities: Department of Agriculture, Department of Commerce, Department of Homeland Security, Department of Housing and Urban Development, Department of Justice, Department of Labor, Department of the Treasury, Agency for International Development, and Small Business Administration. Our objective was also to assist OPM with identifying errors relating to processing and distributing Combined Federal Campaign payroll deductions.

We identified differences of more than 2 percent when calculating the military deposit and salary offset headcounts as part of OPM's step 5. OCFO/NFC stated that there were differences in the counts of the memo entries reported to OPM. NFC will further research this issue, and will ensure any necessary software changes are thoroughly vetted for accuracy and adherence to OPM regulations. We also identified some differences greater than 2 percent of the reported count for payers of full premiums for health benefits, and for those with no deductions for, but enrolled in, various life insurance or retirement plans. Since most of these reported counts are so small, most differed from our counts by a very small number, often by only one "head."

Similar to last year, our calculations of retirement withholding and contribution dollars performed for OPM's step 6.a., in some cases identified differences of more than 5 percent in the Civil Service Retirement System and Federal Employees' Retirement System military deposit subtotals reported to OPM. OCFO/NFC told us misallocations between the two retirement systems continued to occur rarely when payments were manually processed, but these errors were identified and corrected in subsequent pay periods.

¹ We selected our samples from pay period (PP) 17 (August 14, 2011, through August 27, 2011), PP 25 (December 4, 2011, through December 17, 2011), and PP 4 (February 12, 2012 through February 25, 2012). PPs 17 and 4 coincided with the OPM 1523, *Supplemental Semiannual Headcount Report*, as of September 8, 2011, and March 8, 2012.

² OMB Bulletin 07-04, *Audit Requirements for Federal Financial Statements*, September 4, 2007, was amended by OMB Memorandum 09-33, *Technical Amendments to OMB Bulletin 07-04, Audit Requirements for Federal Financial Statements*, September 23, 2009.

Based on our review of documentation for individuals in our samples, we identified eight errors for benefits entered into the system by staff of the entities. Furthermore, we were unable to verify the entries for 108 personnel documents tested in steps 2, 3, and 4 because the entities' personnel officers were unable to locate the documents. However, we performed the calculations for salary, retirement, life, and health insurance, where applicable, to ensure that information from the OCFO/NFC system was accurate. We noted no exceptions.

For step 7, we analyzed 93,732 records with Combined Federal Campaign (CFC) deductions reported by OCFO/NFC for PP 4, 2012, and identified 41 employees who were in duty stations with no CFC campaign. We also determined that the OCFO/NFC CFC code was not consistent with the OPM CFC code by duty station for 2,380 (or about 2.5 percent) of the 93,732 records we reviewed in step 9. For step 10, we identified 10 instances in which the incorrect CFC pledge form was used by the employees.

Additionally, for step 8, we identified differences when we compared the name of the CFC, the Principal Combined Fund Organization (PCFO), or address of the PCFO on the list of CFC areas from the OCFO/NFC system to the list of local CFC areas provided by OPM.

In explaining the CFC differences, OCFO/NFC noted the low error rate overall when considered on a percentage basis and attributed many of the differences to human error by personnel at various agencies. OCFO/NFC stated they were responsible for processing very few of the transactions identified as differences.

Recommendation Summary

We do not make any recommendations in this report.

Independent Auditors' Report

To: Honorable Patrick E. McFarland
Inspector General
U.S. Office of Personnel Management

We have performed the procedures described in exhibit A, which were agreed to by the Inspector General and Chief Financial Officer of the U.S. Office of Personnel Management (OPM), solely to assist OPM with respect to the employee withholdings and employer contributions reported by the Department of Agriculture's Office of the Chief Financial Officer/National Finance Center (OCFO/NFC) on the Standard Form 2812, *Report of Withholdings and Contributions for Health Benefits, Life Insurance, and Retirement*, and OPM 1523, *Supplemental Semiannual Headcount Report*.³ The reports submitted by OCFO/NFC included information for the following entities listed in Appendix A of the Office of Management and Budget (OMB) Bulletin 07-04, *Audit Requirements for Federal Financial Statements*, as amended:⁴ Department of Agriculture, Department of Commerce, Department of Homeland Security, Department of Housing and Urban Development, Department of Justice, Department of Labor, Department of the Treasury, Agency for International Development, and Small Business Administration.

The engagement to apply the Agreed-Upon Procedures was performed in accordance with applicable Government Auditing Standards and the *Statement of Standards for Attestation Engagements* established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Inspector General and the Chief Financial Officer of OPM. Consequently, we make no representations regarding the sufficiency of the procedures described either for the purpose for which this report has been requested or for any other purpose. The results of the engagement are detailed in exhibits A through E.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the withholdings and contributions for health benefits, life insurance, retirements; the Combined Federal Campaign; and the headcount reports prepared by OCFO/NFC. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

³We selected our samples from pay period (PP) 17 (August 14, 2011, through August 27, 2011), PP 25 (December 4, 2011, through December 17, 2011), and PP 4 (February 12, 2012 through February 25, 2012). PPs 17 and 4 coincided with OPM 1523, *Supplemental Semiannual Headcount Report*, as of September 8, 2011, and March 8, 2012.

⁴OMB Bulletin 07-04, *Audit Requirements for Federal Financial Statements*, September 4, 2007, was amended by OMB Memorandum 09-33, *Technical Amendments to OMB Bulletin 07-04, Audit Requirements for Federal Financial Statements*, September 23, 2009.

This report is intended solely for use of the Inspector General and Chief Financial Officer of 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.

Gil H. Harden
Assistant Inspector General
for Audit

September 17, 2012

Abbreviations

CFC	Combined Federal Campaign
CSRS	Civil Service Retirement System
FEGLI	Federal Employees' Group Life Insurance
FEHB	Federal Employees Health Benefits
FERS	Federal Employees' Retirement System
NFC	National Finance Center
OCFO	Office of the Chief Financial Officer
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPF	Official Personnel File
OPM	U.S. Office of Personnel Management
PCFO	Principal Combined Fund Organization
PP	Pay Period
RITS	Retirement and Insurance Transfer System
SF	Standard Form
TMGT	Table Management
USDA	The Department of Agriculture

Exhibit A: Procedures Performed and Results

Exhibit A – Page 1 of 14

1. Compare the Retirement and Insurance Transfer System (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):
 - a. Recalculate the mathematical accuracy of the payroll information.
 - b. Recalculate the mathematical accuracy of the RITS submission for the payroll information in step 1.a.
 - 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 1 percent of the aggregate amount reported for each of the three categories. Obtain from management a management official name, an explanation, telephone number, and an email address for the differences above the 1 percent threshold.

Results

There were no differences over 1 percent.

2. See sub-steps below.
 - a. Randomly select a total of 25 individuals (from each Department) who were in the payroll system for all three of the RITS submissions selected above that meet all of 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 (FEHB) 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).
 - b. Obtain the following documents, either in electronic format 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.

Exhibit A: Procedures Performed and Results

Exhibit A – Page 2 of 14

- All Notifications of Personnel Actions Standard Form-50 (SF) covering the pay periods (PP) 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). Also for health benefits, compare the date of transaction with the 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; and
- 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).

Results

Personnel officers were not able to locate the following 95 documents; however, we performed the calculations for salary, retirement, life, and health insurance in these cases to ensure that information from the Office of the Chief Financial Officer/National Finance Center (OCFO/NFC) system was accurate.

ENTITY	SF-50	FEHB	FEGLI
Department of Agriculture	0	0	0
Agency for International Development	0	17	12
Department of Commerce	2	1	1
Department of Justice	1	1	5
Department of Labor	0	5	1
Department of Homeland Security	8	9	10
Department of Housing and Urban Development	0	3	8

Exhibit A: Procedures Performed and Results

Exhibit A – Page 3 of 14

(Note: Table Continued from Previous Page)

ENTITY	SF-50	FEHB	FEGLI
Small Business Administration	2	6	2
Department of the Treasury	0	1	0
TOTAL	13	43	39

- 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.

Results

We noted one Agency for International Development employee's SF-50, reflecting the employee's within grade pay increase, was not processed timely. Agency personnel provided documentation to show the annual base salary was later corrected. No other exceptions were noted.

- 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.

Results

No exceptions were noted.

- 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.

Results

No exceptions were noted.

- 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 the U.S. Office of Personnel Management (OPM) for the plan and option elected by the employee, as documented by a Health Benefits Election Form (SF-2809) in the

Exhibit A: Procedures Performed and Results

Exhibit A – Page 4 of 14

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.

Results

We were unable to confirm health benefits withholdings and agency contributions for two Agency for International Development employees for PP 17 of 2011. The employees incurred 100 percent of health benefits costs. The agency did not respond to requests to provide an explanation of the withholdings and contributions. No other exceptions were noted.

- 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.

Results

We found the FEGLI code in the payroll system did not match the basic coverage elected on the SF-2817 for one Small Business Administration employee. Agency personnel did not respond to our requests to confirm the error.

- 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.

Results

No exceptions were noted.

- 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

Exhibit A: Procedures Performed and Results

Exhibit A – Page 5 of 14

from this step and obtain management's explanation for the differences.

Results

We found two FEGLI codes in the payroll system that did not match the optional coverage elected on the SF-2817 - one each at the Department of the Labor and Department of the Treasury. Department personnel confirmed the processing errors but told us they could not correct the errors due to incontestability.⁵

- 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.

Results

No exceptions were noted, other than the Department of the Treasury error noted in 2i above.

- 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.

Results

No exceptions noted, other than the Department of Labor error noted in 2i above.

⁵ Incontestability provides for allowing erroneous coverage (coverage that was obtained in error) to remain in effect under certain conditions. Those conditions are: (1) erroneous coverage was in effect for at least 2 years before the error is discovered and (2) the employee must have paid the applicable premiums for the erroneous coverage while it was in effect. Both conditions must be met for incontestability to apply. Enrollments that are allowed to stand due to incontestability become valid enrollments.

Exhibit A: Procedures Performed and Results

Exhibit A – Page 6 of 14

- 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.

Results

No exceptions were noted.

3. Randomly select a total of 10 employees (from each Department) 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.
 - a. Obtain SF-2809s covering the PPs 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.
 - 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.

Results

Personnel officers could not locate five of the SF-2809 in the employees' OPFs (one each at the Departments of the Treasury, and Housing and Urban Development, one at the Small Business Administration and two at the Department of Homeland Security). For one Department of the Treasury employee, we noted a status of eligible pending in the

Exhibit A: Procedures Performed and Results

Exhibit A – Page 7 of 14

payroll system from August 14, 2011, through February 25, 2012. According to the FEHB Handbook, the employee must complete an election form within 60 days of becoming eligible. Department of the Treasury personnel did not respond to our requests to provide an election form or confirm the error. No other exceptions were noted.

4. Randomly select a total of 10 employees (from each Department) 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.
 - a. Obtain the SF-2817s covering the PPs in the RITS submission 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 canceled Basic Life Insurance coverage.
 - 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.

Results

The personnel officers could not locate eight of the forms (three at the Agency for International Development, two each at the Departments of Homeland Security and Housing and Urban Development and one at Small Business Administration). We also identified one instance at the Department of Housing and Urban Development where the basic life insurance election on the SF 2817 did not match the payroll system, which indicated "waived" coverage. As a result premiums were not being withheld from the employee's salary. Agency personnel did not respond to our requests to confirm the error. No other exceptions were noted.

5. Calculate the headcount reflected on the September 2011 and March 2012 *Supplemental Semiannual Headcount Report* selected, as follows:
 - 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 *Supplemental Semiannual Headcount Report*),
 - Dollar amount of withholdings and contributions,
 - Number enrolled (deductions made/no deductions),
 - Central personnel data file code, and
 - Aggregate base salary.

Exhibit A: Procedures Performed and Results

Exhibit A – Page 8 of 14

- b. Recalculate the headcount reflected on each *Supplemental 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.
- 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 *Supplemental Semiannual Headcount Report*.
- d. Report any differences (i.e., gross rather than net) greater than 2 percent between the headcount reporting on each respective agency *Supplemental Semiannual Headcount Report* and payroll information from step 5.a. and the calculated headcount from step 5.b. Obtain from management a management official name, telephone number, an email address, and an explanation for the differences.

Results

Similar to last year, our calculations of military deposit and salary offset headcounts sometimes differed by more than 2 percent from the corresponding CSRS and FERS subtotals reported on the Supplemental Semiannual Headcount Report. Last year OCFO/NFC personnel told us that, while these were only memo entries reported to OPM and were not included in the total retirement headcount, OCFO/NFC would make the necessary modifications to the program to calculate the correct military deposit and salary offset headcounts. This year NFC indicated that while researching this issue, it was determined that additional research is required to ensure that any software changes made are thoroughly vetted for accuracy and adherence to OPM regulations. NFC stated that it will establish a project and work closely with the Office of Inspector General (OIG) to establish specific criteria, compare the NFC and OIG processes, determine the differences and if necessary go to OPM for guidance and direction.

We also identified some differences greater than 2 percent of the reported count for payers of full premiums for health benefits, and for those with no deductions for, but enrolled in various life insurance and/or retirement plans. Since most of these reported counts are so small, most differed from our counts by a very small number, often by only one “head.”

NFC indicated that occasional differences in headcounts for payers of full health premiums could be caused by either counting the same employee more than once if there are one or more record(s), or not counting employees under certain types of military furloughs that are subjected to pay full FEHB premiums after they have been on military furlough for more than 365 days. NFC indicated they will research these instances further to confirm if they are indeed being counted incorrectly and if so, will make the necessary program modifications.

Exhibit A: Procedures Performed and Results

Exhibit A – Page 9 of 14

Our review disclosed that the various differences in headcounts for those enrolled in life insurance with no deduction are due to either:

- counting the same employee more than once if there are one or more record(s), or
- using the existence/absence of a deduction for *basic* FEGLI instead of an *optional* FEGLI to distinguish those with deductions from those without deductions for optional FEGLI.

NFC concurred and told us that additional research will be performed to ensure that any software changes made are thoroughly vetted for accuracy and adherence to OPM regulations. NFC also stated that it will establish a project and work closely with OIG to establish specific criteria, compare the NFC and OIG processes, determine the differences and if necessary, go to OPM for guidance and direction.

The various differences in headcounts for those enrolled in a CSRS or FERS plan with no deductions are primarily due to including those who recently separated. NFC stated that it appears that they will need to make software modifications to address these situations. As noted above, NFC will perform additional research to ensure accuracy and compliance with OPM regulations of any software changes and will establish a project to work closely with OIG and OPM, as necessary, to resolve the differences.

6. Calculate employer and employee contributions for retirement, health benefits, and life insurance as follows:
 - a. Calculate retirement withholdings and contributions for the three PPs 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 5 percent of the amounts on the RITS submission, and obtain management's explanation for the differences.

Results

There were no differences greater than 5 percent, except in some cases, our calculation of a military deposit dollar subtotal differed by more than 5 percent from the corresponding CSRS or FERS subtotal reported on the SF-2812. Similar to last year, OCFO/NFC personnel told us that misallocations between FERS and CSRS continued to occur rarely when payments were manually processed, but the errors were identified and corrected in

Exhibit A: Procedures Performed and Results

Exhibit A – Page 10 of 14

subsequent PPs. Additionally, NFC stated that the number of the Federal Erroneous Retirement Coverage Corrections Act⁶ cases being processed has increased substantially which may be a contributing factor.

- b. Calculate the employee withholdings and employer contributions for health benefits for the three PPs 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 5 percent of the amounts on the RITS submission, and obtain management's explanation for the differences.

Results

There were no differences greater than 5 percent.

- c. Calculate the basic life insurance employee withholdings and employer contributions for the three PPs selected in step 1.a., as follows:
 - i. Obtain a payroll system query from agency payroll provider 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 5 percent of the amounts on the RITS submission, and obtain management's explanation for the difference.

⁶ The Federal Erroneous Retirement Coverage Corrections Act, Public Law 106-265, was enacted into law September 19, 2000.

Exhibit A: Procedures Performed and Results

Exhibit A – Page 11 of 14

Results

There were no differences greater than 5 percent.

- 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 5 percent of the amounts on the RITS submission, and obtain management's explanation for the differences.

Results

There were no differences greater than 5 percent.

- d. Calculate the Option A, Option B, and Option C Life Insurance coverage withholdings for the three PPs 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 the 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 PPs 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 the 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 2 percent of the amounts on the RITS submission, and obtain management's explanation for the differences.

Results

There were no differences greater than 2 percent.

- 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).

Exhibit A: Procedures Performed and Results

Exhibit A – Page 12 of 14

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

Results

There were no differences greater than 2 percent.

7. Compare the list of field offices/duty stations to the list of local Combined Federal Campaign (CFC) campaigns obtained from OPM's Office of CFC Operations. 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.)

Report as a finding the following: 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.

Results

We analyzed 93,732 records with CFC deductions reported by OCFO/NFC for PP 4, 2012, and identified 41 employees (or 0.04 percent) who were in duty stations that had no corresponding CFC campaign. See exhibit B for a chart listing the Federal agency, the duty station code and the campaign receiving the funds as well as OCFO/NFC management's response.

8. Compare the list of accounting codes to the identified campaigns for each field office/duty station.
 - a. Determine the accounting code for each field office/duty station.
 - b. Determine the name of the campaign, the Principal Combined Fund Organization (PCFO), and address of the PCFO in the agency payroll provider's system agree with the information for that field office/duty station on the list of local CFC campaigns obtained from OPM's Office of CFC Operations.

Report as a finding the following: 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.

Exhibit A: Procedures Performed and Results

Exhibit A – Page 13 of 14

Results

We identified differences when we compared the name of the CFC campaign, PCFO, or address of the PCFO on the list of CFC areas from the OCFO/NFC system to the list of local CFC areas provided by OPM. See Exhibit C for a chart detailing the differences and OCFO/NFC management's response.

9. Sort the report of all employees with CFC deductions by official duty station.
 - a. Compare the official duty stations to the campaigns identified for those locations.
 - 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 with the accounting code identified for that filed/duty station.

Report as a finding the following: 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.

Results

Of the 93,732 records with CFC deductions reported by OCFO/NFC for PP 4, 2012, we determined that the OCFO/NFC CFC code was not consistent with the OPM CFC code by duty station for 2,380 (or about 2.5 percent) of the records. See exhibit D for a chart detailing the differences and OCFO/NFC management's response.

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 from the agency.
 - Determine if the pledge form was used for the correct campaign based on the official duty station.

Report as a finding the following: 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.

Exhibit A: Procedures Performed and Results

Exhibit A – Page 14 of 14

Results

We requested 17 CFC pledge forms⁷ from nine agencies. Agencies were unable to provide four of the requested pledge forms – one each for Agency for International Development, and the Departments of Commerce, Homeland Security, and Housing and Urban Development. Of the 13 pledge forms received, ten were for the incorrect CFC campaign. See exhibit E for a chart listing the Federal agency, the correct campaign and the campaign used.

⁷ Agency for International Development only had one CFC code that did not agree with field office duty stations; all other departments tested had at least two.

The subsequent sections of the report exhibit B (pages 20 through 21), exhibit C (pages 22 through 30), and exhibit D (pages 31 through 58) are not being publicly released due to the sensitive security content.

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