



Agreed-Upon Procedures: Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting

Audit Report 11401-0003-31

OIG performed agreed-upon procedures for assessing information reported by USDA's National Finance Center.

OBJECTIVE

To perform procedures to assist OPM in assessing the reasonableness of retirement, health benefits, and life insurance withholding and contributions as well as enrollment information submitted via the Semiannual Headcount Report.

REVIEWED

We performed agreed-upon audit procedures as required on Federal employee benefits and enrollment information as of August 31, 2018. Our review included information submitted for the Departments of Agriculture, Commerce, Homeland Security, Housing and Urban Development, Justice, Labor, and Treasury, as well as the Agency for International Development, and the Small Business Administration.

RECOMMENDS

We do not make any recommendations in this report.

WHAT OIG FOUND

The Department of Agriculture's National Finance Center (NFC) reports Federal employee benefits and enrollment information to the Office of Personnel Management (OPM). Reported information includes headcounts, as well as withholdings and contributions for retirement, health benefits, and life insurance.

In applying agreed-upon audit procedures, we identified differences through calculations, analyses, and comparisons. For instance, for both Civil Service Retirement System and Federal Employees Retirement System, we identified headcounts that differed from NFC's by more than two percent. In general, NFC has initiated corrective actions and is targeting implementation by the March 2019 Semiannual Headcount Report.

Our sample document review found 99 differences for benefits entered into the system by agency personnel officers. Furthermore, we were unable to verify all sampled entries because agency personnel officers were unable to locate the documents covering all pay periods selected.



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



September 24, 2018

The Honorable Norbert Vint
Acting Inspector General
U.S. Office of Personnel Management
Office of Inspector General
Theodore Roosevelt Federal Building
1900 E Street, NW.
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 FY 2018

Dear Mr. Vint:

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, 2018.

Our review included information for the following agencies (listed in Appendix A of the Office of Management and Budget (OMB) Bulletin 17-03, *Audit Requirements for Federal Financial Statements*, dated September 29, 2017): 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 generally accepted government auditing standards and the *Statements of Standards for Attestation Engagements*, established by the American Institute of Certified Public Accountants.

If you have any questions, please contact me at (202) 720-6945, or have a member of your staff contact Anthony Kloeppe, Assistant Director, at (816) 926-3442.

Sincerely,

Gil H. Harden
Assistant Inspector General for Audit

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

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Independent Auditor's Report

To: Mr. Norbert Vint
Acting 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 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 (USDA) Office of the Chief Financial Officer's (OCFO) National Finance Center (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*,¹ for the 12 months ended August 31, 2018. The reports submitted by NFC included information for the following agencies listed in Appendix A of the Office of Management and Budget (OMB) Bulletin 17-03, *Audit Requirements for Federal Financial Statements*: 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, the Agency for International Development, and the Small Business Administration.

The engagement to apply the Agreed-Upon Procedures was performed in accordance with applicable generally accepted 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 representation 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 Exhibit A.

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

¹ We selected our samples from Pay Period 17 (Aug. 20, 2017, through Sept. 2, 2017, paid Sept. 11, 2017); Pay Period 26 (Dec. 24, 2017, through Jan. 6, 2018, paid Jan. 15, 2018); and PP 4 (Feb. 18, 2018, through Mar. 2, 2018, paid Mar. 12, 2018). Pay Period 17 and 4 coincided with the OPM 1523, *Supplemental Semiannual Headcount Report*.

This report is intended solely for the 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.

A handwritten signature in cursive script that reads "Gil H. Harden".

Gil H. Harden
Assistant Inspector General for Audit

September 24, 2018

Abbreviations

AUP.....	Agreed-Upon Procedures
APP.....	Agency Payroll Providers
CSRS.....	Civil Service Retirement System
DHS.....	Department of Homeland Security
DOC	Department of Commerce
DOJ	Department of Justice
DOL	Department of Labor
FEGLI.....	Federal Employees' Group Life Insurance
FEHB.....	Federal Employees Health Benefits
FERS.....	Federal Employees Retirement System
HUD	Department of Housing and Urban Development
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.....	Office of Personnel Management
RITS.....	Retirement and Insurance Transfer System
SBA.....	Small Business Administration
SF.....	Standard Form
T&A	Time & Attendance
TREAS	Department of the Treasury
USAID	Agency for International Development
USDA.....	Department of Agriculture

Exhibit A: Procedures Performed and Results

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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.):

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 Procedure 1.a.

1.c. Compare the employee withholding information at the aggregate level for Retirement, Health Benefits, and Life Insurance (as adjusted for reconciling items) shown on the payroll information obtained in Procedure 1.a. to the related amounts shown on the RITS submission for the corresponding period.

Report any differences for each of the Retirement, Health Benefits, and Life Insurance (categories) for Procedure 1.c. that are over one percent of the aggregate amount reported for each of the three categories. Obtain and document an explanation from a management official, including the official's name, telephone number, and an email address for the differences above the one percent threshold.

Results:

There were no differences over one percent.

2. Performed 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 these criteria.

- Covered by the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS);
- Enrolled in the Federal Employees Health Benefits Program;
- Covered by Basic Life Insurance; and
- Covered by at least one Federal Employees' Group Life Insurance (FEGLI) optional coverage (Option A, B, or C).

2.b. Obtain the following documents, either in electronic or hard copy format, from the Official Personnel File (OPF) for each individual selected in Procedure 2.a. Hard copies can be originals or certified copies.

Exhibit A: Procedures Performed and Results

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- SF-50 “All Notifications of Personnel Actions” covering the pay periods in the RITS submissions chosen;
- SF-2809 “The Health Benefits Election Form” covering the pay periods in the RITS submissions chosen or, if applicable, obtain a report (through the agency personnel office) from the agency’s automated system that allows participants to change benefits, (for example, Employee Express), for any Health Benefits transactions in that system for the individuals selected in Procedure 2.a. (note: a new SF-2809 is needed only if an employee is changing health benefit plans); and
 - For Health Benefits, compare date of the payroll transaction with date on the certified copy of the SF-2809 or the agency’s automated system report obtained above to identify whether the health benefit information to be used in Procedure 2.f. covers the pay periods in the RITS submissions chosen.
- SF-2817 “The Life Insurance Election Form” covering the pay periods in the RITS submission chosen (note: a new SF-2817 is needed only if an employee is changing life insurance coverage).

Results:

During our review of the 225 employees selected (25 individuals per the 9 agencies) and 675 sampled pay periods (225 employees per 3 pay periods), the agency personnel officers were unable to provide complete sets of documents for 127 pay periods to support either the calculations for salary, retirement, health benefits, or life insurance.

2.c. For each individual selected in Procedure 2.a., compare the base salary used for payroll purposes and upon which withholdings and contributions generally are based to the base salary reflected on the employee’s SF-50. Report any differences resulting from this procedure and obtain management’s explanation for the differences.

Results:

We were unable to compare 48 retirement plan codes because the agency personnel officers were unable to provide the SF-50 forms that covered all three RITS submissions, to confirm the retirement plan codes: 1 from the Department of Agriculture (USDA), 1 from the Small Business Administration (SBA), 9 from the Department of Justice (DOJ), 12 from the Department of Commerce (DOC), and 25 from the Department of Homeland Security (DHS).

Additionally, we found 13 differences in base salary: 1 from USDA, 1 from DHS, 2 from the Department of Labor (DOL), 4 from SBA, and 5 from DOC. The SF-50s

Exhibit A: Procedures Performed and Results

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provided by the agencies did not match the documented base salary information in the payroll system for the RITS submissions.

We requested management's explanation for the differences: Agency personnel officers from USDA responded, but did not provide a document to clear the difference. Agency personnel officers from DHS provided explanations for the difference in salary, but did not provide a document to clear the difference. Agency personnel officers from SBA did not respond to our request for management explanation. Agency personnel officers from DOC did not provide explanations for the five differences in salary. Agency personnel officers from DOL provided additional documentation to our request, but the form was blank.

2.d. For Retirement for each individual selected in Procedure 2.a., compare the retirement plan code from the employee's SF-50 to the plan code used in the payroll system. Report any differences resulting from this procedure and obtain management's explanation for the differences.

Results:

We were unable to compare 48 retirement plan codes because the agency personnel officers were unable to provide the SF-50 forms that covered all three RITS submissions, to confirm the retirement plan codes: 1 from USDA, 1 from SBA, 9 from DOJ, 12 from DOC, and 25 from DHS.

Additionally, we found one difference in retirement plan codes from DHS.

We requested management's explanation for the difference. Agency personnel officers from DHS provided us with an explanation for the one difference in retirement code.

2.e. For each individual selected in Procedure 2.a., calculate the retirement amount to be withheld and contributed for the plan code from the employee's SF-50, by multiplying the base salary from the employee's SF-50 by the official withholding and contribution rates required by law. Compare the calculated amounts to the actual amounts withheld and contributed for the retirement plan. Report any differences and obtain management's explanation for the differences.

Results:

We were unable to compare 48 retirement plan codes because the agency personnel officers were unable to provide the SF-50 forms that covered all three RITS submissions, to confirm the retirement plan codes: 1 from USDA, 1 from SBA, 9 from DOJ, 12 from DOC, and 25 from DHS.

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We found eight differences in both the retirement deduction and contribution: two from DHS and six from DOC.

We requested management's explanation for the differences. Agency personnel officers from DOC did not respond to our request for a management explanation. Agency personnel officers from DHS provided us with an explanation for the differences in retirement code.

2.f. For Health Benefits for each individual selected in Procedure 2.a., compare the employee withholdings and agency contributions to the official subscription rates issued by OPM for the plan and option elected by the employee, as documented by an SF-2809 in the employee's OPF or automated system that allows the participant to change benefits (for example, Employee Express). Report any differences resulting from this procedure and obtain management's explanation for the differences. The Health Benefit rates can be found on OPM's website at <http://www.opm.gov/insure/health/rates/index.asp>.

Results:

We were unable to compare 39 employee withholdings and agency contributions for Health Insurance because the agency personnel officers were unable to provide the SF-2809 forms that covered three RITS submissions to confirm the withholdings and contributions: 2 from the Agency for International Development (USAID), 5 from DHS, 6 from DOC, 6 from the Department of the Treasury (TREAS), 9 from DOJ, and 11 from SBA.

We found 36 differences in either the employee withholdings or the agency contribution amounts for individual health benefits on both withholdings and contributions: 6 from USDA, 6 from DHS, 6 from DOL, and 18 from SBA.

We requested management's explanation for the differences. For employee withholdings, agency personnel officers with USDA responded that they could not find the needed FEHB documentation for the differences. Agency personnel officers with DOL did not respond to our request for explanation of the differences. Agency personnel officers with DHS provided explanation for the differences. Agency personnel officers with SBA did not respond to our request for explanation of the differences.

For agency contributions, Agency personnel officers with USDA responded that they could not find the needed FEHB documentation for the differences. Agency personnel officers with DOL did not respond to our request for explanation of the differences.

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Agency personnel officers with DHS provided an explanation for the differences. Agency personnel officers with SBA did not respond to our request for explanation of the differences.

2.g. For Life Insurance for each individual selected in Procedure 2.a., confirm that Basic Life Insurance was elected by the employee by inspecting the SF-2817 documented in the employee's OPF. Report any differences resulting from this procedure and obtain management's explanation for the differences.

Results:

We are unable to compare 79 elections because the agency personnel officers were unable to provide the SF-2817 forms that covered each RITS submission to confirm that Basic Life Insurance was elected by the employee: 3 from USDA, 3 from TREAS, 4 from DOL, 4 from the Department of Housing and Urban Development (HUD), 9 from USAID, , 9 from DOJ, 11 from DHS, 14 from SBA, and 22 from DOC.

2.h. For each individual selected in Procedure 2.a., calculate the withholding and agency contribution amounts for Basic Life Insurance using the following:

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

Compare the calculated employee withholdings and agency contributions to the actual amounts withheld and contributed for Basic Life Insurance. Report any differences resulting from this procedure and obtain management's explanation for the differences.

Results:

In summary, we found six differences in either the employee withholdings or the agency contribution amounts for individual Basic Life Insurance—all from DOC (for both withholdings and contributions). We requested management's explanation for the differences. Agency personnel officers from DOC did not respond to our request for explanation for the differences covering all pay periods for both withholding and contributions.

2.i. For Life Insurance for each individual selected in Procedure 2.a., compare optional coverage elected as documented on the SF-2817 in the employee's OPF to the optional

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coverage documented in the payroll system. Report any differences resulting from this procedure and obtain management's explanation for the differences.

Results:

We were unable to compare 79 of the elections because the agency personnel officers were unable to provide the SF-2817 forms that covered all three RITS submissions to confirm that Optional coverage was elected by the employee: 3 from USDA, 3 from TREAS, 4 from HUD, 4 from DOL, 9 from USAID, 9 from DOJ, 11 from DHS, 14 from SBA, and 22 from DOC.

Additionally, we found 15 differences where the SF-2817 documentation provided by the agency personnel officers did not match the documented information in the payroll system: 1 from DOL, 2 from DHS, 3 from SBA, 3 from TREAS, and 6 from DOC.

We requested explanations for the differences from these five agencies. Officials from DOL provided an explanation, but no documentation to support their reason. We did not receive management's explanation for the differences from DHS. We did not receive management's explanation for the differences from SBA. TREAS did provide an explanation for the differences, but could not provide the correct SF-2817 form to us. DOC provided an explanation for the difference on one sample; however, DOC had no explanation for the remaining differences.

2.j. For each individual selected in Procedure 2.a., calculate the withholding amounts for optional life insurance using the following methods:

- 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 procedure and obtain management's explanation for the differences.

Results:

There were no differences found for this procedure.

- 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

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age group. Multiply this amount by the number of multiples chosen for Option B Life Insurance. Compare the calculated amount to the amount withheld for Option B Life Insurance. Report any differences resulting from this procedure and obtain management's explanation for the differences.

Results:

We were unable to compare 79 elections for Option B because agency personnel officers were unable to provide the SF-2817 forms that covered all three RITS submissions: 3 from USDA, 3 from TREAS, 4 from HUD, 4 from DOL, 9 from USAID, 9 for DOJ, 11 from DHS, 14 from SBA, and 22 from DOC.

We also found 12 differences where the SF-2817 provided by the agency personnel officers did not match the documented information in the payroll system for all three of the RITS submissions: 1 from DOL, 2 from DHS, 3 from SBA, and 6 from DOC.

Agency personnel officers from DOL provided us an additional explanation for the one difference, but no documentation to resolve the difference. We did not receive management's explanation for the three differences from SBA. We did not receive management's explanation for the two differences from DHS. We received management's explanation for three of the six differences from DOC; however, we did not receive explanation for the other three 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 selected for Option C Life Insurance. Compare the calculated amount to the amount withheld for Option C Life Insurance. Report any differences resulting from this procedure and obtain management's explanation for the differences.

Results:

In summary for Option C, we were unable to confirm 79 of the 675 Option C coverage elections. We were unable to compare 79 elections for Option C because agency personnel officers were unable to provide the SF-2817 forms that covered all three RITS submissions: 3 from USDA, 3 from TREAS, 4 from HUD, 4 from DOL, 9 from USAID, 9 from DOJ, 11 from DHS, 14 from SBA, and 22 from DOC.

We found 8 differences where the SF-2817 provided by the agency personnel officers did not match the documented information in the payroll system for all three of the RITS submissions: 2 from DHS, 3 from SBA, and 3 from TREAS.

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We did not receive management’s explanation for the three differences from SBA. Agency personnel officers from TREAS provided us additional documentation for the three differences; however, the documentation provided was inadequate, and therefore did not resolve the differences. We did not receive management’s explanation for the two differences from DHS

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 (through the agency personnel office) from the agency’s automated system that allows participants to change benefits (for example, Employee Express), for any Health Benefit transactions in that system for the individuals selected. Hard copies can be originals or certified copies. Inspect the documentation (that is, SF-2809 or the agency’s system-generated report) to identify whether health benefits coverage was not elected. This can be identified in the following ways:

- an absence of an SF-2809 in the OPF and no election of coverage made through the agency’s automated system that allows participants to change benefits (for example, Employee Express); or
- an SF-2809 in the OPF with Section E checked (indicating cancellation of coverage) and no later election of coverage through the agency’s automated system that allows participants to change benefits (for example, Employee Express); or
- cancellation of coverage through the agency’s automated system that allows participants to change benefits (for example, Employee Express) and no later election of coverage with an SF-2809.

3.b. Compare the result in Procedure 3.a. to the RITS submissions. Report any differences resulting from this procedure and obtain management’s explanation for the differences.

Results:

Agency personnel officers were unable to provide the SF-2809 forms for 90 pay periods (30 samples per 3 pay periods) that were needed to determine whether the employee waived or canceled Health Insurance coverage: 3 from USAID, 6 from SBA, 6 from DOL, 9 from HUD, 12 from USDA, 15 from DHS, 18 from DOJ, and 21 from TREAS.

There were no differences found for this procedure.

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4. Randomly select 10 employees who do not have Life Insurance withholdings from the payroll information corresponding to the three RITS submissions selected above and perform the following for each employee selected.

4.a. Obtain the SF-2817s covering the pay periods in the RITS submissions selected, either in electronic or hard copy format, from the selected employee's OPF. Hard copies can be originals or certified copies. Inspect the SF-2817 to identify whether the employee waived or cancelled Basic Life Insurance coverage.

4.b. Compare the result in Procedure 4.a. to the RITS submissions. Report any differences resulting from this procedure and obtain management's explanation for the differences.

Results:

Agency personnel officers were unable to provide the SF-2817 forms for 42 pay periods (14 samples per 3 pay periods) that identified whether the employee waived or cancelled Basic Life Insurance coverage: 3 from USAID, 3 from HUD, 6 from DHS, 12 from USDA, and 18 from DOJ. There were no differences found for this procedure.

5. Calculate the headcount reflected on the September 2017 and March 2018 Semiannual Headcount Report selected, by following the methods below.

5.a. Obtain existing payroll information (from procedure 1.a.) that supports each Supplemental Semiannual Headcount Report. If existing payroll data are not available, obtain a payroll system query that summarizes detailed payroll data supporting each Supplemental Semiannual Headcount Report, as listed below:

- Benefit category (see *Semiannual Headcount Report*);
- Dollar amount of withholdings and contributions;
- Number enrolled (deductions made or no deductions);
- Central Personnel Data File Code; and
- Aggregate base salary.

5.b. Recalculate the Headcount reflected on each *Semiannual Headcount Report*. If an electronic file is not available, use the suggested method below to recalculate the headcount:

- (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

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- (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 Procedure 5.a. and the calculated headcount from Procedure 5.b. to the information shown on each respective *Semiannual Headcount Report*. Report any differences (for example, gross rather than net) greater than 2 percent. Obtain a management official name, telephone number, an email address, and an explanation for the differences.

Results:

Our estimate of total employees (and/or annuitants) differed by more than 2 percent from that reported by NFC on the Supplemental Semiannual Headcount Report (OPM 1523) for DHS FERS Law Enforcement/Fire-fighters Withholdings for both Pay Period 17, 2017 and Pay Period 04, 2018. NFC stated the counts are off and our estimate is correct. Research determined that these counts are off only in the print program. Counts on intermediate files are correct. Changes will be made to the print program and will be targeted for March 2019.

Our estimated headcounts for salary offsets often differed by more than 2 percent from those reported by NFC on the *Supplemental Semiannual Headcount Report*. Specifically, we found the FERS Salary Offsets headcounts differed by more than 2 percent for USDA, USAID, DOC, DOJ, DOL, DHS, HUD, SBA, and TREAS for both Pay Period 17 and Pay Period 04. We also found differences in the CSRS Salary Offsets headcounts. Specifically, we found headcounts differed by more than 2 percent for USDA, USAID, DOC, DOJ, DOL, DHS, HUD, SBA, and TREAS for Pay Period 17 and for USDA, USAID, DOC, DOJ, DOL, DHS, HUD, SBA, and TREAS for Pay Period 04. NFC stated for FERS Salary Offsets that NFC is adding the Military Deposit employees to the Salary Offsets. The program should not be including Military Deposits in the salary offset count. Additional changes to the print program are required and will be targeted for March 2019. NFC stated for CSRS Salary Offsets that NFC is only adding Military Deposits to Salary Offsets. The program should be adding the salary offset employees to the salary offset count, not the Military Deposit employees to the salary offset. Additional changes to the print program are required and will be targeted for March 2019.

We identified instances where our payers of full FEHB premiums are occasionally understated. NFC stated two different reasons for this. The first reason is type 07 payments (NFC is including NFC29's and OIG is not); a program change is required and will be targeted for March 2019. The second reason is there are employees with FEHB with erroneous contributions. There is a Payroll Computation System program issue, which will be further researched and a program change made as soon as possible.

Exhibit A: Procedures Performed and Results

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We noted that occasionally headcounts for FEGLI reported in the no deduction column of OPM Form 1523 differed from our estimates by more than 2 percent. Specifically in Pay Period 17, we found differences for Basic Life Insurance for USDA; Standard Option A Life Insurance for USDA; Option B Life Insurance “55-59” category for USDA; and Option B Life Insurance “60 & up” category for USDA. For Pay Period 04, we found differences for Option B Life Insurance “To Age 35” category for DOJ; Option B Life Insurance “40-44” category for USDA; and Option C Life Insurance for DOC. NFC stated the reason for the differences in the Pay Period 04 Option B “To Age 35” category for DOJ is because the counts are off and OIG is correct. Research determined that these counts are off only in the print program. Counts on the intermediate files are correct. Changes will be made to the print program and will be targeted for March 2019. NFC stated the reason for all other differences is because of duplicates as a result of late T&A.

We determined retirement headcounts in the no deduction column of Section C of Form 1523 sometimes differed by more than 2 percent from the OIG recalculated headcounts. Specifically, we determined retirement headcounts for USDA, USAID, DOC, HUD and TREAS differed by more than 2 percent for Pay Period 17 and for DOL for Pay Period 04. NFC stated two different reasons for this. The first reason is the counts are off and OIG is correct. Research determined that these counts are off only in the print program and counts on the intermediate files are correct. Changes will be made to the print program and will be targeted for March 2019. The second reason is because of duplicates as a result of late T&A.

6. Calculate employer and employee contributions for Retirement, Health Benefits, and Basic Life Insurance as described below:

6.a. Calculate employer and employee contributions for the three pay periods selected in Procedure 1.a., as described below:

- i. Multiply the CSRS and FERS payroll base by the withholding and employer contribution rates required by law.
- ii. Compare the calculated totals from Procedure 6.a.i. to the related amounts shown on the RITS submissions. Report any differences (for example, gross rather than net) between the calculated amounts and the amounts reported on the RITS submissions that are greater than five percent of the amounts on the RITS submission, and obtain management’s explanation for the differences.

Results:

We identified an instance in which our calculation of CSRS All Categories dollar subtotals for contributions differed by more than five percent from the corresponding

Exhibit A: Procedures Performed and Results

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CSRS subtotals reported on the SF-2812 submitted by NFC for DHS for PP26. NFC personnel stated this is because the Retirement Coverage Code does not match the Retirement Plan Code in the data given to OIG.

We identified instances in which our calculation of CSRS All Categories dollar subtotals for withholdings differed by more than five percent from the corresponding CSRS subtotals reported on the SF-2812 submitted by NFC for USAID for Pay Period 17 and Pay Period 04. NFC stated two different reasons for this. The first reason, for Retirement Coverage Code 1, is that OIG is not adding the Extension Prorated Amount Annuitant Share to the base pay to compute retirement. Retirement is computed using the Reemployed annuitant amount added to the base pay. The second reason, for Retirement Coverage Code C, is that Health benefits and Flexfund (which is not on the Agreed-Upon Procedures [AUP] file) are both deducted at 0.07 where the remainder of the base pay is deducted at 0.008. Since Flexfund is not on the AUP file, the way to get the base amounts is as follows: Retirement CSRS Offset Pretax Amount / 0.07 = Offset Base to back into the base that was multiplied by 0.07. Subtract Offset Base from Current Base Pay and compute remainder times 0.008. Add the Retirement CSRS Offset Pretax Amount to the amount from the previous step to obtain the actual deduction. Also, based on a recent ruling from OPM, please note that Health Savings Account is soon to be included with Health and Flexfund at 0.07. NFC will modify the data extracts for next year's audit to include the Administratively Uncontrolled Overtime/Availability Pay monies. If OIG is unable to utilize the computation above to determine CSRS Offset amounts, then we will research what is required to also modify the data extracts to provide the Flexfund and Health Savings Account monies.

We identified FERS and CSRS Salary Offset, Military Deposits, and Military/Civilian Service Credits differed by more than five percent from the corresponding subtotals reported on the SF-2812. Specifically we found differences of more than five percent for Pay Period 04 for USDA, DOC, DOJ, TREAS, DOL, DHS, USAID, SBA, and HUD. We found differences of more than five percent for Pay Period 17 for USDA, DOC, DOJ, TREAS, DOL, DHS, and SBA. We found differences of more than five percent for Pay Period 26 for USDA, DOC, DOJ, TREAS, DOL, DHS, USAID, and SBA. NFC stated the reasons for the differences in these items are the same as for AUP 5. NFC has two reasons related to these issues for AUP 5. The first reason is that NFC is only adding Military Deposits to Salary Offsets. The program should be adding the salary offset employees to the salary offset count, not the Military Deposit employees to the salary offset. Additional changes to the print program are required and will be targeted for March 2019. The second reason is that NFC is adding Military Deposits to Salary Offsets. The program should not be including Military Deposits in the salary offset count. Additional changes to the print program are required and will be targeted for March 2019.

Exhibit A: Procedures Performed and Results

Exhibit A—Page 13 of 15

6.b. Calculate employee withholdings and employer contributions for Health Benefits for the three pay periods selected in Procedure 1.a., as follows:

- i. Multiply the number of employees enrolled in each Health Benefits plan and plan option by the employee withholdings and employer contributions for the plan and option.
- ii. Sum the totals in Procedure 6.b.i. and compare the result with the Health Benefit withholding and contribution amounts shown on the RITS submissions. Report any differences (i.e., gross rather than net) between the calculated amounts and the amounts reported on the RITS submissions that are greater than five percent of the amounts on the RITS submission, and obtain management's explanation for the differences.

Results:

There were no differences greater than five percent.

6.c. Calculate the Basic Life Insurance employee withholdings and employer contributions for the three pay periods selected in Procedure 1.a., as follows:

- i. Obtain a payroll system query from APP personnel to obtain the total number of employees with Basic Life Insurance coverage and the aggregate annual basic pay for all employees with Basic Life Insurance.
- ii. For employee withholdings: Add the product of 2,500 times the number of employees with Basic Life Insurance coverage from Procedure 6.c.i above to the aggregate annual basic pay for all employees with Basic Life Insurance from Procedure 6.c.i above to calculate the estimated total Basic Life Insurance coverage. Divide this calculated total by 1,000 and multiply it by the withholding rate required by law. The Basic Life Insurance withholding rates are in the FEGLI Program Booklet on OPM's website.
- iii. Compare the result in Procedure 6.c.ii. to the withholdings for Basic Life Insurance coverage reported on the RITS submission. Report any difference (for example, gross rather than net) between the estimate and the amount of withholdings reported on the RITS submission greater than 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 Procedure 6.c.ii. by two—this approximates agency contributions, which are one-half of employee withholdings. Compare this result to the amount reported on the RITS submission. Report any differences (for example, gross rather than net) between the estimated amount and the actual amount reported on the RITS submission that are greater than five percent of the amounts on the RITS submission, and obtain management's explanation for the differences.

Exhibit A: Procedures Performed and Results

Exhibit A—Page 14 of 15

Results:

There were no differences greater than five percent.

6.d. Calculate the Option A, Option B and Option C Basic Life Insurance coverage withholdings for the three pay periods selected by using the detail payroll reports used to reconcile the RITS reports in Procedure 1 on page 2. In addition to the information used for Procedure 1, the reports should include the employee's date of birth, annual rate of basic pay, and number of multiples selected for Option B and C. Note: while similar to Procedure 2.j., the calculation at this procedure is for the entire amount reported on the RITS submissions for the three pay periods selected, as opposed to the sample of 25 employees in Procedure 2.j.

- i. Multiply the number of employees in each age group by the appropriate rate for Option A in accordance with the rates for age groups provided in the FEGLI Program Booklet.
- ii. Compare the result in Procedure 6.d.i. to the amounts for Option A reported on the RITS submissions. Report any differences (for example, gross rather than net) greater than two percent of the amounts on the RITS submission, and obtain management's explanation for the differences.

Results:

There were no differences greater than two 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, then multiply 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 Procedure 6.d.iii. to the amounts for Option B and Option C, respectively, reported on the RITS submissions. Report any differences (for example, gross rather than net) greater than two percent of the amounts on the RITS submission for Option B or Option C, and obtain management's explanation for the differences.

Results:

We identified instances in which our calculations of Life Insurance Family—Option B dollar subtotals for DHS differed by more than two percent from the corresponding subtotals reported on the SF-2812 submitted by NFC for Pay Period 17 and

Exhibit A: Procedures Performed and Results

Exhibit A—Page 15 of 15

Pay Period 26. NFC personnel stated Administratively Uncontrolled Overtime/Availability Pay money is not being put on the file for OIG.

Exhibit B: Sampling Methodology

Exhibit B—Page 1 of 1

As noted in the Independent Auditors' Report, we performed procedures prescribed by OPM solely to assist OPM with respect to the employee withholdings and employer contributions reported by the USDA's OCFO/NFC. OPM sets the sampling methodology for each procedure described in each procedure in Exhibit A. 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. Consequently, we make no representation regarding the sufficiency of the procedures or the sampling design and methodology.

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