

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 2015 and March 2016 Semiannual Headcount Reports submitted to OPM and a summary of RITS submissions for September 2015 and the current fiscal year. For each program (retirement, health and life) select a total of three RITS submissions for September 2015 and the current FY 2016; two will coincide with the September 2015 and March 2016 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 2015 CFC solicitation period (September 1, 2015 through December 31, 2015) 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. The subject line of the e-mail should be "Payroll Office AUPs–2015 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 2016 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 2015 and March 2016 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, with a cc: to 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