



ATTESTATION REPORT

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

September 7, 2018





September 7, 2018

**Attestation Report - Independent Report on Employee Benefits,
Withholdings, Contributions, and Supplemental Semiannual Headcount
Reporting Submitted to the Office of Personnel Management**
Report Number FT-AT-18-001

OBJECTIVE:

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

Our objective was to assist the OPM in assessing the reasonableness of U.S. Postal Service employee retirement, health benefits and life insurance withholdings; Postal Service benefit contributions; and enrollment information submitted via the headcount report.

This report is not suitable for any other purpose.

WHAT THE OIG FOUND:

We performed the procedures agreed upon by the OPM's Inspector General and the Chief Financial Officer to assist the OPM in assessing the reasonableness of retirement, health benefits and life insurance withholdings; Postal Service benefit contributions; and enrollment information submitted via the headcount report.

We identified issues related to health benefit subscription rates, life insurance

elections, military deposit reporting, and life insurance reporting. Specifically:

- We could not verify health benefit employee withholdings and agency contributions to the official subscription rates issued by OPM for one of 25 employees reviewed.
- We could not verify life insurance elections for one of 25 employees reviewed.
- The Postal Service did not separately report "Federal Employee Retirement System Revised Annuity Employee" and "Further Revised Annuity Employee" military deposits on the September 2017 headcount report.
- The difference between U.S. Postal Service OIG recalculated withholdings for Options B and C life insurance and withholdings reported by the Postal Service for selected pay periods exceeded the OPM's reportable threshold.

As a result of our engagement, the Postal Service took corrective action on two of the four findings identified in this report: Life Insurance Election Form and Military Deposits. The Health Benefits Subscription Rate finding is a result of

an OPM omission. The Optional Life Insurance Withholdings finding is a result of methodology differences recognized by the OPM. Neither of these findings require Postal Service corrective action.

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

WHAT THE OIG RECOMMENDED:

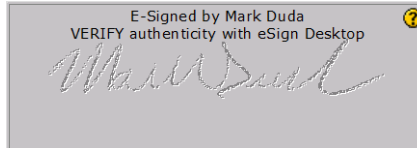
This report is provided for information only and we offered no recommendations. Accordingly, no management action is required.

[Link to review the entire report](#)



September 7, 2018

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



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

SUBJECT: Attestation Report – Independent Report on Employee
Benefits, Withholdings, Contributions, and Supplemental
Semiannual Headcount Reporting Submitted to the Office of
Personnel Management (Report Number FT-AT-18-001)

Attached is a copy of the subject report provided to the U.S. Office of Personnel Management (OPM) Office of Inspector General (OIG) (Project Number 18BG010FT000). This report is provided for information only and requires no management action.

At the request of the OPM OIG, we performed the agreed-upon procedures in accordance with attestation standards established by the American Institute of Certified Public Accountants and generally accepted government auditing standards. The purpose of this report is to assist OPM in assessing the reasonableness of retirement, health benefits and life insurance withholdings and contributions, and enrollment information submitted via the headcount report. This report is not suitable for any other purpose.

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

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

Attachment

cc: Corporate Audit Response Management
Michael J. Elston



September 7, 2018

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

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



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

SUBJECT: Attestation Report – Independent Report on Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the Office of Personnel Management (Report Number FT-AT-18-001)

This report presents the results of our performance of the procedures agreed upon by the Inspector General and the Chief Financial Officer of the U.S. Office of Personnel Management (OPM) (Project Number 18BG010FT000).

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

We were not engaged to perform, and did not perform, an examination or review, the objective of which would have been the expression of an opinion or conclusion, respectively, on the withholdings and contributions for health benefits, life insurance, and retirement, and enrollment information. Accordingly, we do not express such an

opinion or conclusion. Had we performed additional procedures, we might have found other matters that we would have reported.

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

Attachment

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

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Introduction/Objective

This report presents the results of our performance of the procedures agreed upon by the Inspector General and the Chief Financial Officer of the U.S. Office of Personnel Management (OPM) (Project Number 18BG010FT000). The report responds to the OPM's request for help assessing the reasonableness of employee withholdings and U.S. Postal Service contributions reported in the *Report of Withholdings and Contributions for Health Benefits, Life Insurance and Retirement* for the payroll periods ended September 1, 2017, November 10, 2017, and March 2, 2018; and the enrollment information reported in the *Supplemental Semiannual Headcount Report* (headcount report) for September 2017 and March 2018.

Our objective was to assist OPM in assessing the reasonableness of Postal Service employee retirement, health benefits, and life insurance withholdings; Postal Service benefit contributions, and enrollment information submitted via the headcount report by the Postal Service. See [Appendix A](#) for additional information about this engagement.

Background

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

This attestation engagement is an annual requirement of the U.S. Office of Management and Budget's Circular Number A-136, *Financial Reporting Requirements*, and Bulletin 17-03, *Audit Requirements for Federal Financial Statements*. The OPM administers pension and health and life insurance benefits for federal agencies.

Postal Service Accounting Services in Eagan, MN, is responsible for calculating, disbursing, and reporting employee withholdings and Postal Service contributions for health benefits, life insurance, and retirement. As of March 2, 2018, the Postal Service employed more than 643,000 people (about 479,000 with benefits).

During each of the three payroll periods we reviewed,¹ the Postal Service withheld an average of more than \$93 million and contributed over \$314 million toward benefits. The Postal Service transmitted these funds to the OPM via the Retirement and Insurance

¹ These periods covered 52,385 employees who declined health benefits and 655 employees who declined life insurance coverage in all three pay periods reviewed.

Transfer System (RITS) and prepared the *Report of Withholdings and Contributions for Health Benefits, Life Insurance and Retirement* for each payroll period detailing the amount associated with each benefit category. Additionally, the Postal Service submitted the headcount report to the OPM detailing the number of employees associated with each benefit category for September 2017 and March 2018.

Finding #1: Health Benefit Subscription Rate

We could not verify health benefit employee withholdings and agency contributions to the official subscription rates issued by the OPM² for one of 25 employees reviewed. This occurred because the health benefit plan the employee elected was not included in the OPM's official subscription list.³ We informed the OPM, who agreed with the omission and provided the health benefit plan information. Based on the information provided, we verified that health benefit employee withholdings and agency contributions were correct.

Finding #2: Life Insurance Election Form

We could not verify the life insurance election for one of 25 employees⁴ because the Life Insurance Election Form was not in the electronic Official Personnel Folder (eOPF).⁵ Life Insurance Election Forms are the original source documents that initiate withholdings, contributions, changes, and cancellations in payroll records. The OPM requires the Postal Service to maintain life insurance records as permanent records. The Postal Service Human Resources Shared Service Center (HRSSC)⁶ was also unable to locate the form; however, we were able to locate Postal Service Form 50, Notification of Personnel Action. The Postal Service uses these forms for processing elections.

HRSSC could not explain why the employee's Life Insurance Election Form was missing. However, as a result of our engagement, HRSSC personnel completed a "Federal Employees' Group Life Insurance (FEGLI): Missing Document – Note to File" to serve as the official record of employee's election.

² The Health Benefits official subscription rates are published on OPM's [website](#).

³ Procedure 2.f.

⁴ Procedure 2.i.

⁵ The eOPF documents an individual's employment history. Generally, when a document is scanned into eOPF, the scanned image becomes the official record of the document.

⁶ The national operational and processing center for personnel actions in Greensboro, NC. The HRSSC also provides a call center staffed by Human Resources specialists and provides self-service options that employees use to manage their benefits.

Finding #3: Military Deposits

We recalculated the September 2017 and March 2018 headcount reports⁷ and determined the Postal Service did not separately report Federal Employee Retirement System (FERS)-Revised Annuity Employees (RAE) and FERS-Further Revised Annuity Employees (FRAE) military deposits on the September 2017 headcount report. Instead, the Postal Service entered the entire amount on the FERS military deposit line of the headcount report. We found no issues with the March 2018 headcount report.

We reported this issue to the Postal Service during our prior year engagement.⁸ The Postal Service took corrective action during the pay period ending October 13, 2017, and modified the applicable payroll system report to list FERS, FERS-RAE, and FERS-FRAE military deposits separately. However, the September 2017 headcount report selected for review was prior to management's corrective action.

Our analysis showed the Postal Service understated FERS-RAE and FERS-FRAE military deposits by \$52,503 and 620 deductions in September 2017, while overstating FERS military deposits by the same dollar amount and 619 deductions.⁹ See Table 1 for a breakdown of the September 2017 headcount report.

Table 1. Military Deposits, September 2017 Headcount Report

Line Item	Headcount Report		OIG Recalculation		Difference	
	Dollars	Deductions	Dollars	Deductions	Dollars	Deductions
FERS-RAE	\$0	0	\$960	23	\$960	23
FERS-FRAE	0	0	51,542	597	51,542	597
FERS	240,269	2,142	187,766	1,523	(52,503)	(619)
Total	\$240,269	2,142	\$240,268	2,143	\$(1) ¹⁰	1

Source: September 2017 headcount report and Postal Service Payroll Systems.¹¹

⁷ Procedure 5.c.

⁸ Independent Report on *Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount* (Report Number [FT-AR-17-011](#), dated September 12, 2017).

⁹ We did not determine the cause of the one military deposit deduction difference.

¹⁰ Difference due to rounding.

¹¹ All employees are compensated bi-weekly through the payroll systems and all pay compensation rules and employee pay history are maintained here.

Finding #4: Optional Life Insurance Withholdings

The Postal Service OIG's recalculation of FEGLI Option B¹² and Option C¹³ withholdings reported on Standard Form (SF) 2812, Report of Withholdings and Contributions for Health Benefits, Life Insurance, and Retirement, differed from the Postal Service reported amounts.¹⁴ These variances occurred primarily because the Postal Service included adjustments related to previous payroll periods in the amounts. The methodology specified by OPM to calculate Option B and Option C withholdings¹⁵ does not account for adjustments. Adjustments occurred most commonly for corrections to prior pay periods, and Postal Service management stated they are not unusual. When we accounted for payroll adjustments, variances were within the allowable threshold. See Table 2 for FEGLI Option B and Option C withholdings variances.

Table 2. FEGLI Option B and Option C Withholdings Variances

FEGLI Option	Payroll Period Ending	SF 2812 Withholdings	OIG Recalculation	Variance	Variance Percentage	Payroll Adjustments	Variance with Payroll Adjustments
B	November 10, 2017	\$9,455,095	\$9,694,645	\$239,550	2.53%	\$221,979	0.19%
C	September 1, 2017	\$565,525	\$579,627	\$14,102	2.49%	\$6,133	1.41%
C	November 10, 2017	\$588,897	\$613,196	\$24,300	4.13%	\$22,896	0.24%
C	March 2, 2018	\$595,283	\$607,942	\$12,659	2.13%	\$8,868	0.64%

Source: Postal Service OIG analysis of SF 2812 data, Postal Service Payroll Systems, and adjustments data provided by the Postal Service.

As a result of our engagement, the Postal Service took corrective action on two of the four findings identified in this report: Life Insurance Election Form and Military Deposits. The Health Benefit Subscription Rate finding is a result of an OPM omission. The Optional Life Insurance Withholdings finding is a result of methodology differences recognized by the OPM. Neither of these findings require Postal Service corrective action. See [Appendix B](#) for a summary of all the agreed-upon procedures performed.

We were not engaged to perform and did not perform an examination or review, the objective of which would have been the expression of an opinion or conclusion, respectively, on the withholdings and contributions for health benefits, life insurance, and retirement, and enrollment information. Accordingly, we do not express such an

¹² Option B life insurance may be elected to cover up to five-times multiples of annual pay after pay is rounded up to the next even thousand.

¹³ Option C life insurance may be elected to cover eligible family members. Up to five multiples may be elected. A multiple is equal to \$5,000 for a spouse or \$2,500 for a dependent child.

¹⁴ Procedure 6.d.

¹⁵ Rate for the age group multiplied by the number of multiples chosen.

opinion or conclusion. Had we performed additional procedures, we might have found other matters to report.

The purpose of this report is to assist the OPM with assessing the reasonableness of retirement, health benefits and life insurance withholdings and contributions, as well as enrollment information submitted via the headcount report. This report is not suitable for any other purpose.

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

Appendix A: Additional Information

Scope and Methodology

To accomplish our objective, we applied the agreed-upon procedures to the payroll periods ending September 1, 2017, and March 2, 2018, coinciding with the headcount reports for September 2017 and March 2018, respectively. We randomly selected the payroll period ending November 10, 2017, for additional testing.

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

We conducted this engagement from April through September 2018, in accordance with generally accepted government auditing standards and the American Institute of Certified Public Accountants attestation standards. We discussed our observations and conclusions with management officials and included their comments where appropriate.

We relied on computer-generated data from the Postal Service's Payroll Systems. To validate the data, we traced the basic pay and benefit categories for selected employees to supporting documentation and compared the results to the computer-generated data. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
<i>Independent Report of Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the Office of Personnel Management</i>	<p>1. Help the OPM assess the reasonableness of employee benefit withholdings and Postal Service benefit contributions in the <i>Report of Withholdings and Contributions for Health Benefits, Life Insurance and Retirement</i>, as well as enrollment information in the <i>Supplemental Semiannual Headcount Report</i>.</p> <p>2. Confirm CFC program accounting codes and payroll data with OPM records.</p>	FT-AR-17-011	9/12/2017	None
<i>Independent Report of Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the Office of Personnel Management</i>	<p>1. Help the OPM assess the reasonableness of employee benefit withholdings and Postal Service benefit contributions in the <i>Report of Withholdings and Contributions for Health Benefits, Life Insurance and Retirement</i>, as well as enrollment information in the <i>Supplemental Semiannual Headcount Report</i>.</p> <p>2. Confirm CFC program accounting codes and payroll data with OPM records.</p>	FT-AR-16-009	9/21/2016	None

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
<i>Independent Report of Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the Office of Personnel Management</i>	<p>1. Help the OPM assess the reasonableness of employee benefit withholdings and Postal Service benefit contributions in the <i>Report of Withholdings and Contributions for Health Benefits, Life Insurance and Retirement</i>, as well as enrollment information in the <i>Supplemental Semiannual Headcount Report</i>.</p> <p>2. Confirm CFC program accounting codes and payroll data with OPM records.</p>	FT-AR-15-010	9/16/2015	None

Appendix B: Agreed Upon Procedures Results

Procedure	Finding
1. Compare RITS submission data to the payroll information by performing the following procedures.	
1.a	No Exceptions
1.b	No Exceptions
1.c	No Exceptions
2. Perform detail testing of a random sample of transactions as follows.	
2.a	No Exceptions
2.b	No Exceptions
2.c	No Exceptions
2.d	No Exceptions
2.e	No Exceptions
2.f	See Finding: Health Benefits Subscription Rate
2.g	No Exceptions
2.h	No Exceptions
2.i	See Finding: Life Insurance Election Form
2.j	No Exceptions
3. Randomly select a total of 10 employees who do not have 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	No Exceptions
3.b	No Exceptions
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	No Exceptions
4.b	No Exceptions
5. Calculate the headcount reflected on the September 2017 and March 2018 Semiannual Headcount Report selected, by following the methods below.	
5.a	No Exceptions
5.b	No Exceptions
5.c	See Finding: Military Deposits
6. Calculate employer and employee contributions for Retirement, Health Benefits, and Basic Life Insurance.	

Procedure	Finding
6.a	No Exceptions
6.b	No Exceptions
6.c	No Exceptions
6.d	See Finding: Optional Life Insurance Withholdings

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

Attachment A: Agreed Upon Procedures

SECTION 11

AGREED-UPON PROCEDURES

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

OBJECTIVE

To assist the Office of Personnel Management (OPM) in assessing the reasonableness of Retirement, Health Benefits, and Life Insurance withholdings and contributions as well as enrollment information submitted via the Semiannual Headcount Report.

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. Effective with the 2017 Campaign, OPM has implemented a centralized enrollment system. As a result, the procedures relating to CFC payroll deductions are not required. Those procedures were deleted from the AUPs.

REQUIRED DOCUMENTATION/PROCEDURES

For employee benefit withholding and contributions:

- obtain the APP's September 2017 and March 2018 Semiannual Headcount Reports submitted to OPM and a summary of RITS submissions for September 2017 and the current fiscal year.

For each program (retirement, health and life):

- select a total of three RITS submissions for September 2017 and the current FY 2018; two will coincide with the September 2017 and one with the March 2018 Semiannual Headcount Report.
- Obtain payroll information for the periods covered by the RITS submissions selected.

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 recalculated 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 1 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 1 percent threshold.

2. Perform detail testing of a random sample of transactions as follows:
 - 2.a. Randomly select 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.
- 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).
- 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.
- 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.
- 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.
- 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 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 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.

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.

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 coverage documented in the payroll system. Report any differences resulting from this procedure and obtain management's explanation for the 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.
- 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 procedure 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 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.
3. Randomly select a total of 10 employees who do not have 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, the 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.
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.

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.
- 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:

- estimate the number of employees per payroll register page by counting the employees listed on several pages,
- count the number of pages in the payroll register, and
- 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.

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 5 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 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 5 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 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 5 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 5 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 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 for 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 2 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 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 2 percent of the amounts on the RITS submission for Option B or Option C, and obtain management's explanation for the differences.

REVISIONS TO INSTRUCTIONS

(from the Office of Management and Budget's *Bulletin No.17-03, Audit Requirements for Federal Financial Statements*, dated September 29, 2017)

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's clarified attestation standards, AT-C 215, *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 AT-C 215 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 copy 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 E. Brown-Fennell