

# Inspector General

United States  
Department of Defense



Agreed-Upon Procedures for Reviewing  
the FY 2008 Civilian Payroll Withholding  
Data and Enrollment Information

# Report Documentation Page

*Form Approved*  
*OMB No. 0704-0188*

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1. REPORT DATE <b>08 OCT 2008</b>	2. REPORT TYPE	3. DATES COVERED <b>00-00-2008 to 00-00-2008</b>			
4. TITLE AND SUBTITLE <b>Agreed-Upon Procedures for Reviewing the FY 2008 Civilian Payroll Withholding Data and Enrollment Information</b>		5a. CONTRACT NUMBER			
		5b. GRANT NUMBER			
		5c. PROGRAM ELEMENT NUMBER			
6. AUTHOR(S)		5d. PROJECT NUMBER			
		5e. TASK NUMBER			
		5f. WORK UNIT NUMBER			
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) <b>Department of Defense Inspector General, 4800 Mark Center Drive, Alexandria, VA, 22350-1500</b>		8. PERFORMING ORGANIZATION REPORT NUMBER			
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)		10. SPONSOR/MONITOR'S ACRONYM(S)			
		11. SPONSOR/MONITOR'S REPORT NUMBER(S)			
12. DISTRIBUTION/AVAILABILITY STATEMENT <b>Approved for public release; distribution unlimited</b>					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT <b>Same as Report (SAR)</b>	18. NUMBER OF PAGES <b>46</b>	19a. NAME OF RESPONSIBLE PERSON
a. REPORT <b>unclassified</b>	b. ABSTRACT <b>unclassified</b>	c. THIS PAGE <b>unclassified</b>			

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## Acronyms and Abbreviations

DCAA	Defense Contract Audit Agency
DCPS	Defense Civilian Pay System
DFAS	Defense Finance and Accounting Service
DOE	Department of Energy
EPA	Environmental Protection Agency
FEGLI	Federal Employees Group Life Insurance
GAO	Government Accountability Office
HHS	Health and Human Services
IG	Inspector General
NGB	National Guard Bureau
ODO	Other Defense Organization
OMB	Office of Management and Budget
OPF	Official Personnel File
OPM	Office of Personnel Management
OSD	Office of the Secretary of Defense
RITS	Retirement and Insurance Transfer System
TSP	Thrift Savings Plan
WHS	Washington Headquarters Service



INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
400 ARMY NAVY DRIVE  
ARLINGTON, VIRGINIA 22202-4704

October 8, 2008

MEMORANDUM FOR DISTRIBUTION

SUBJECT: Agreed-Upon Procedures for Reviewing the FY 2008 Civilian Payroll Withholding Data and Enrollment Information (Report No. D2009-004)

We are providing this report for review and comment. The Air Force, Defense Contract Audit Agency, Office of the Secretary of Defense, Washington Headquarters Service, Department of Energy, and the Environmental Protection Agency did not respond to the draft report; however, we considered comments from the Army, Navy, National Guard Bureau, and the Department of Health and Human Services when preparing the final report.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. The Army, Navy, National Guard Bureau, and the Department of Health and Human Services comments were responsive. We request that the Air Force, Defense Contract Audit Agency, Office of the Secretary of Defense, Washington Headquarters Service, Department of Energy, and the Environmental Protection Agency provide comments on the Recommendation by November 10, 2008.

Please provide comments that conform to the requirements of DoD Directive 7650.3. If possible, send your comments in electronic format (Adobe Acrobat file only) to [AUDDFS@dodig.mil](mailto:AUDDFS@dodig.mil). Copies of your comments must have the actual signature of the authorizing official for your organization. We are unable to accept the / Signed / symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Please direct questions to Mr. Mark S. Henricks at (703) 601-5942 (DSN 664-5942) or Mr. Thomas J. Winter at (703) 601-5918 (DSN 664-5918). Team members are listed inside the back cover.

*Patricia A. Marsh*  
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Assistant Inspector General  
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# Results in Brief: Agreed-Upon Procedures for Reviewing the FY 2008 Civilian Payroll Withholding Data and Enrollment Information

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## What We Did

Our objective was to assist the Office of Personnel Management (OPM) in assessing whether Health Benefits, Life Insurance, and Retirement contributions and withholdings, and enrollment information that Defense Finance and Accounting Service (DFAS) submitted to OPM were reasonable and accurate. We assisted them by performing agreed-upon procedures agreed to by the OPM Chief Financial Officer and OPM Inspector General. We conducted this attestation engagement in accordance with generally accepted government auditing standards, which incorporate financial audit and attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the OPM Chief Financial Officer and Inspector General. Consequently, we make no representation regarding the sufficiency of the procedures either for the purpose for which this report has been requested or for any other purpose.

## What We Found

Of the 455 Official Personnel Files reviewed, we determined that 21 Official Personnel Files had 22 unresolved discrepancies. The 22 discrepancies occurred because the documentation was not current and, therefore, did not support DFAS pay and withholding amounts. In addition, we determined that the amounts reported to OPM for Other Defense Organization Option C and Department of Energy Option A Life Insurance coverage differences exceeded the 2-percent reporting threshold criteria. These differences were mostly attributable to retroactive adjustments.

## What We Recommend

We recommend that the Army, Navy, Air Force, National Guard Bureau, Defense Contract Audit Agency, Office of the Secretary of Defense, Washington Headquarters Service, Department of Energy, Department of Health and Human Services, and the Environmental Protection Agency personnel offices work with Defense Finance and Accounting Service payroll offices to implement and improve payroll withholding procedures to ensure that payroll withholding authorizations support the amounts actually withheld.

## Client Comments and Our Response

The Army, Navy, National Guard Bureau, and the Department of Health and Human Services concurred with our recommendation. We consider their replies responsive and do not require additional comments. We did not receive comments from the Air Force, Defense Contract Audit Agency, Office of the Secretary of Defense, Washington Headquarters Service, Department of Energy, or the Environmental Protection Agency and request they provide comments by November 10, 2008. Please see the Recommendations Table on the following page.

## Recommendations Table

<b>Client</b>	<b>Recommendation Requires Comment</b>
Army	No
Navy	No
Air Force	Yes
National Guard Bureau	No
Defense Contract Audit Agency	Yes
Office of the Secretary of Defense	Yes
Washington Headquarters Service	Yes
Department of Energy	Yes
Department of Health and Human Services	No
Environmental Protection Agency	Yes

**Please provide comments by November 10, 2008.**

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# Introduction

## Objective

Our objective was to assist the Office of Personnel Management (OPM) in assessing whether Health Benefits, Life Insurance, and Retirement contributions and withholdings, and enrollment information submitted by the Defense Finance and Accounting Service (DFAS) to OPM were reasonable and accurate. We assisted OPM by performing agreed-upon procedures agreed to by the OPM Chief Financial Officer and OPM Inspector General.

## Office of Management and Budget Audit Requirements

Office of Management and Budget (OMB) Bulletin No. 07-04, “Audit Requirements for Federal Financial Statements,” September 4, 2007, requires all Federal agencies to review their civilian employee Health Benefits, Life Insurance, and Retirement contributions and withholdings, and enrollment information. The OPM Inspector General and its Chief Financial Officer developed agreed-upon procedures to review these civilian employees’ contributions and withholdings, and enrollment information. Therefore, the sufficiency of the agreed-upon procedures is solely the responsibility of OPM.

OMB Bulletin No. 07-04 requires the auditor of each payroll provider to apply the agreed-upon procedures separately for each entity designated as subject to the Chief Financial Officers Act and to entities that have more than 30,000 employees but are not designated under the Chief Financial Officers Act. DFAS is the payroll provider for the Department of Defense (DoD), Department of Energy (DOE), Department of Health and Human Services (HHS), and the Environmental Protection Agency (EPA). Within DoD, DFAS generates payroll files for the Army, Navy, Air Force, and Other Defense Organizations (ODO) each payroll period. DFAS generates payroll files for three other DoD entities but they do not meet the 30,000 employee criteria. DFAS also generates payroll files for DOE, HHS, and EPA each payroll period. During our engagement, DoD averaged 692,000 employees, DOE 11,000 employees, HHS 75,000 employees, and EPA 18,000 employees for the pay periods reviewed. The DoD average employee number included the following: Army 240,000 employees, Navy 144,000 employees, Air Force 164,000 employees, ODO 87,000 employees, Army 13,000 employees overseas, Navy 25,000 shipyard employees, and ODO 19,000 overseas employees. DOE, HHS, and the EPA are subject to the Chief Financial Officers Act.

OMB designated the DoD Inspector General (IG) as the principal auditor for DFAS. Therefore, the DoD IG is responsible for performing these agreed-upon procedures. Auditors of customer agencies must participate to the extent necessary to ensure that the agreed-upon procedures are performed effectively and within established timeframes. Although the auditors must perform the agreed-upon procedures separately for each applicable entity, the principal auditor (DoD IG for DFAS) issues the combined results into a single report.

# **Independent Auditor's Report**

We have performed the procedures agreed to by the OPM Chief Financial Officer and OPM Inspector General. We performed the agreed-upon procedures solely to assist OPM in assessing the reasonableness of Health Benefits, Life Insurance, and Retirement contributions and withholdings, and enrollment information. We conducted this attestation engagement in accordance with generally accepted government auditing standards, which incorporate financial audit and attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the OPM Chief Financial Officer and Inspector General. Consequently, we make no representation regarding the sufficiency of the procedures either for the purpose for which this report has been requested or for any other purpose. (See Appendix C for the procedures the OPM provided to us.)

The following paragraphs summarize the results of the procedures. The section titled "Agreed-Upon Procedures and Associated Findings" contains the procedures and auditor actions.

## **Comparison of Amounts Withheld by Defense Finance and Accounting Service to the Amounts Reported to the Office of Personnel Management**

DFAS captured the data necessary to perform the agreed-upon procedures at the end of each pay period. We sampled the payroll periods that ended on September 1, 2007; October 27, 2007; November 10, 2007; and March 1, 2008. The gross payroll amount for DoD, DOE, HHS, and EPA payroll files sampled totaled \$7.7 billion. This represents 14.19 percent of the annual gross pay for these four entities' payrolls. We compared the amounts DFAS withheld from employees pay to the amounts reported to OPM. The payroll withholding amount of \$430 million that DFAS reported to OPM for these entities differed by \$45,305 for an overall error rate of 0.01 percent. This is similar to the difference noted for FY 2007. The overall differences for Health Benefits, Life Insurance, and Retirement withholdings were less than the reporting threshold criteria of 1 percent established in the agreed-upon procedures.

## **Comparison of Payroll System Data to Official Personnel Files**

We randomly selected a sample of 455 employees from the October 27, 2007, pay period from the seven payroll data files (Army, Navy, Air Force, ODO, DOE, HHS, and EPA) by using Audit Command Language software. We compared the sample of 455 employees' pay and withholdings in the Defense Civilian Pay System (DCPS) to the documentary support in the Official Personnel Files (OPF). Of the 455 OPFs, 260 represented DoD employees, 65 represented DOE employees, 65 represented HHS employees, and 65 represented EPA employees. Of the 455 files reviewed, 21 had a total of 22 unresolved discrepancies. Table 1 shows by entity the number of OPFs with unresolved discrepancies.

**Table 1. Official Personnel Files with Unresolved Discrepancies by Entity**

<b>Entity</b>	<b>Number of Official Personnel Files</b>	<b>Number of Discrepancies</b>	<b>Affected Benefit</b>
Army	1	1	Health
Air Force	1	1	TSP
ODO–OSD*	3	3	Life, TSP
ODO–WHS*	1	1	Life
DOE	2	2	Health, Life
HHS	12	13	Health, Life, TSP
EPA	1	1	TSP
<b>Total</b>	<b>21</b>	<b>22</b>	

\* OSD–Office of the Secretary of Defense, WHS–Washington Headquarters Service, and TSP–Thrift Savings Plan.

The unresolved discrepancies resulted from OPF documentation that was not current and, therefore, did not support DFAS pay and withholding amounts.

Of the 455 OPFs that we reviewed, we originally identified 91 with discrepancies. We provided the affected entities with the names, social security numbers, and nature of the discrepancies for each of the files. The DFAS and entity personnel offices subsequently provided us with documentation that explained 70 of the OPFs with discrepancies between data in the OPFs and data in DCPS. As a result, we reclassified the 70 OPFs as “samples corrected at a later date.” The table below shows by entity the number of OPFs with resolved discrepancies.

**Table 2. Official Personnel Files Resolved by Entity**

<b>Entity</b>	<b>Number of OPFs Resolved</b>
Army	2
Army-NGB*	1
Navy	10
Air Force	4
ODO–DCAA*	10
ODO–OSD	4
DOE	10
HHS	5
EPA	24
<b>Total</b>	<b>70</b>

\*NGB–National Guard Bureau; DCAA–Defense Contract Audit Agency.

## **Employee Headcount**

We compared the number of employees (headcount) in the DFAS payroll files with the Semiannual Headcount Report submitted to OPM and found no differences. Therefore, the headcount comparison was within the 2-percent reporting threshold criteria established in the agreed-upon procedures.

## **Retirement**

We recalculated the retirement withholdings and entity contributions from the seven payroll data files for the four pay periods we reviewed. We determined that DFAS supported the amounts reported to OPM for the Army, Navy, Air Force, ODO, HHS, DOE, and EPA. The largest difference for the Federal Employees Retirement Systems' employee withholdings was approximately \$3,100 (.14%) from the \$2.2 million that DFAS reported to OPM. For entity contributions, the difference was approximately \$407,000 (1.14%) from the \$35.6 million that DFAS reported to OPM. The largest Civil Service Retirement System difference for employee withholdings was approximately \$7,100 (.92%) from the \$768,000 that DFAS reported to OPM. For entity contributions, the difference was approximately \$8,500 (1.01%) from the \$836,000. The differences between the amounts we calculated and the amounts DFAS reported to OPM did not exceed the 5-percent reporting threshold criteria established in the agreed-upon procedures.

## **Health Benefits**

We recalculated the Health Benefits withholdings and entity contributions from the seven payroll data files for the four pay periods we reviewed. We determined that DFAS supported the amounts reported to OPM. The largest Health Benefits difference for employee withholdings was approximately \$26,000 (1.73%) from the \$1.5 million that DFAS reported to OPM. For entity contributions, the difference was approximately \$209,000 (1.55%) from the \$13.5 million that DFAS reported to OPM. The difference between the amounts we calculated and the amounts DFAS reported to OPM did not exceed the 5-percent reporting threshold criteria established in the agreed-upon procedures.

## **Life Insurance**

We recalculated the Basic Life Insurance from the seven payroll data files for the four pay periods we reviewed. We determined that DFAS supported the amounts reported to OPM. The largest Life Insurance difference for employee withholdings was approximately \$15,900 (2.53%) from the \$628,000 that DFAS reported to OPM. For entity contributions, the difference was approximately \$8,200 (2.6%) from the \$315,000 that DFAS reported to OPM. The difference between the amounts we calculated and the amounts DFAS reported to OPM did not exceed the 5-percent reporting threshold criteria established in the agreed-upon procedures.

In addition, we recalculated Option A, Option B, and Option C Life Insurance coverage from the seven payroll data files for the four pay periods we reviewed. We determined that DFAS supported the amounts reported to OPM for the Army, Navy, Air Force, HHS, and EPA. The difference between the amounts we calculated and the amounts DFAS reported to OPM did not exceed the 2-percent reporting threshold criteria established in the agreed-upon procedures. However, for ODO Option C, the difference exceeded the 2-percent reporting threshold criteria. In addition, for DOE Option A, the difference

exceeded the 2-percent reporting threshold criteria established in the agreed-upon procedures. These differences were mostly attributable to retroactive adjustments.

## **Engagement Limitations**

We were not engaged to examine (express an opinion), and did not examine, whether the Health Benefits, Life Insurance, and Retirement contributions and withholdings, and enrollment information submitted by DFAS to OPM, were reasonable and accurate. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that we would have reported. We completed our agreed-upon procedures on September 29, 2008.

This report is intended solely for use by management and should not be used by those who have not agreed to the procedures or have not taken responsibility for the sufficiency of the procedures for their purposes. However, the report is a matter of public record and its distribution is not limited; thus, we will post the report on our Web site and provide copies upon request.

## **Recommendations, Client Comments, and Our Response**

**We recommend that Army, Navy, Air Force, National Guard Bureau, Defense Contract Audit Agency, Office of the Secretary of Defense, and Washington Headquarters Service, Department of Energy, Department of Health and Human Services, and Environmental Protection Agency personnel offices work with Defense Finance and Accounting Service payroll offices to implement and improve payroll withholding procedures to ensure that payroll withholding authorizations support the amounts actually withheld.**

### ***Army Comments***

The Army concurred with our recommendation. We considered the comments to the draft report when preparing the final.

### ***Navy Comments***

The Navy concurred with our recommendation. We considered the comments to the draft report when preparing the final.

### ***National Guard Bureau Comments***

The National Guard Bureau concurred with our recommendation. We considered the comments to the draft report when preparing the final.

### ***Health and Human Services Comments***

The Department of Health and Human Services concurred with our recommendation. However, the Deputy Assistant Secretary, Office of Human Resources Assistant Secretary for Administration and Management disagreed with our inclusion of four Thrift Savings Plan discrepancies because we were not required to review the Thrift Savings Plan information under the Office of Personnel Management Agreed-Upon Procedures. In addition, the Deputy Assistant Secretary stated that Health and Human Services corrected the one Federal Employees Group Life Insurance discrepancy as of April 24, 2008. We considered the comments to the draft report when preparing the final.

### ***Our Response***

Comments from the Army, Navy, and National Guard Bureau were responsive. We consider the comments from the Department of Health and Human Services to be responsive. The Department of Health and Human Services agreed in a Memorandum of Agreement with us to review Thrift Savings Plan information. During our audit, the Department of Health and Human Services Inspector General auditors did not provide us information showing us that the Federal Employees Group Life Insurance code was corrected and that the associated Life Insurance withholdings were retroactively adjusted. Therefore, we did not change any information in the report.

### ***Client Comments Required***

The Departments of the Air Force, Defense Contract Audit Agency, Office of the Secretary of Defense, Washington Headquarters Service, and the Environmental Protection Agency did not respond to the draft report; therefore, we request that they provide comments to this report by November 10, 2008. In addition, the Department of Energy provided unofficial comments to the draft report in which they concurred with our recommendation. We are requesting that they also provide official written comments to this report by November 10, 2008.

# Agreed-Upon Procedures and Associated Findings

This section contains the OPM agreed-upon procedures, the auditor actions, and the results of completing those procedures. See Appendix C for the Office of Personnel Management's Agreed-Upon Procedures, extracted from Office of Management and Budget Circular 07-04.

**Overall Procedure.** Obtain the Agency Payroll Office's (APO) September 2007 and March 2008 Semiannual Headcount Reports submitted to OPM and a summary of RITS [Retirement and Insurance Transfer System] submissions for September 2007 and the current fiscal year. For Retirement, Health Benefits, and Life Insurance select a total of three RITS submissions for September 2007 and the current fiscal year; two will coincide with the September 2007 and March 2008 Semiannual Headcount Report. Obtain payroll information for the periods covered by the RITS submissions selected.

## **Auditor Action for DoD, DOE, HHS, and EPA**

We obtained the Retirement and Insurance Transfer System (RITS) submissions for the pay periods ended September 1, 2007; October 27, 2007; November 10, 2007; and March 1, 2008, and the Semiannual Headcount Reports as of September 1, 2007; and March 1, 2008.

**Procedure 1.** Compare RITS submission data with 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):

**Procedure 1.a.** Recalculate the mathematical accuracy of the payroll information.

## **Auditor Action for DoD**

DFAS extracted the four payroll files (Army, Navy, Air Force, and ODO) from their payroll history database. We totaled the 16 payroll files (4 payroll files for four pay periods) for a total of \$6.5 billion in pay. The pay was about \$1.6 billion per pay period and about 635,000 employees per pay period. We also totaled the Civil Service Retirement System (CSRS), Federal Employee Retirement System (FERS), Health Insurance, and Life Insurance withholdings. According to DFAS, the total withholdings for DoD were approximately \$97.2 million for CSRS, \$35.9 million for FERS, \$176.2 million for Health Insurance, and \$59.4 million for Life Insurance. The DoD total gross payroll was about \$42.1 billion in FY 2008.

## **Auditor Action for DOE**

We performed the same procedure as for DoD. We totaled the four payroll files (one for each pay period) for a total of \$41.1 million in pay and about 10,697 employees in each pay period. According to DFAS, the total withholdings for DOE were approximately \$3 million for CSRS, \$0.887 million for FERS, \$3.9 million for Health Insurance, and \$1.5 million for Life Insurance. The DOE total gross payroll was about \$1 billion in FY 2008.

### **Auditor Action for HHS**

We performed the same procedure as for DoD. We totaled the four payroll files (one for each pay period) for a total of \$195.2 million in pay and about 74,606 employees in each pay period. According to DFAS, the total withholdings for HHS were approximately \$9.1 million for CSRS, \$4.9 million for FERS, \$18.0 million for Health Insurance, and \$6.4 million for Life Insurance. The HHS total gross payroll was about \$5 billion in FY 2008.

### **Auditor Action for EPA**

We performed the same procedure as for DoD. We totaled the four payroll files (one for each pay period) for a total of \$64.2 million in pay and about 18,106 employees in each pay period. According to DFAS, the total withholdings for EPA were approximately \$4.3 million for CSRS, \$1.5 million for FERS, \$6.1 million for Health Insurance, and \$1.9 million for Life Insurance. The EPA total gross payroll was about \$1.7 billion in FY 2008.

**Procedure 1.b.** Recalculate the mathematical accuracy of each RITS submission for the payroll information selected in step 1.a.

### **Auditor Action for DoD, DOE, HHS, and EPA**

We recalculated the mathematical accuracy of each RITS submission for the pay periods September 1, 2007; October 27, 2007; November 10, 2007; and March 1, 2008. We compared the recalculated amounts with the RITS submission for the corresponding pay periods. Differences between DCPS payroll file totals and the corresponding amounts in the RITS submissions were within the 1-percent reporting threshold criteria for these comparisons.

**Procedure 1.c.** Compare the employee withholding information shown 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 from management a management official name, an explanation, telephone number, and an e-mail address for the differences above the one percent threshold.

### **Auditor Action for DoD, DOE, HHS, and EPA**

We compared the employee withholding totals from the seven DFAS payroll files to the related amounts shown on the RITS submission for Retirement, Health Benefits, and Life Insurance, as evidenced by a Form 2812 produced from the RITS database. Differences between the DFAS payroll files for CSRS, FERS, Health Benefits, and Life Insurance were within the 1-percent reporting threshold criteria for this comparison.

**Procedure 2.a.** Randomly select a total of 25 individuals who were on 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 (FEHB) Program;
- covered by Basic Life Insurance; and
- covered by at least one Federal Employees' Group Life Insurance (FEGLI) optional coverage (Option A, B, or C).

### **Auditor Action for DoD, DOE, HHS, and EPA**

We randomly selected 35 individuals from each of the seven payroll files (four files for DoD and one each for DOE, HHS, and EPA) from the pay periods ending September 1, 2007; October 27, 2008, November 10, 2007; and March 1, 2008, who were enrolled in CSRS or FERS, a FEHB program, and FEGLI program.

**Procedure 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
- 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).

**Procedure 2.b.i.** For Health Benefits, compare date of 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 the step 2.f. covers the pay periods in the RITS submissions chosen.

### **Auditor Action for DoD**

We obtained Notifications of Personnel Actions (SF-50), Health Benefit Registration Forms (SF-2809), and Life Insurance Election Forms (SF-2817) for each individual in our random sample covering the pay periods in the RITS submissions with one exception from the Army. This exception pertained to a missing SF-2809.

### **Auditor Action for DOE and HHS**

We verified that the DOE and HHS auditors obtained the Notifications of Personnel Actions (SF-50), Health Benefit Registration Forms (SF-2809), and Life Insurance Election Forms (SF-2817) for each individual in our random sample covering the pay periods in the RITS submissions with six exceptions from HHS. These consisted of five missing SFs-2809 and one missing SF-2817.

### **Auditor Action for EPA**

We obtained Notifications of Personnel Actions (SF-50), Health Benefit Registration Forms (SF-2809), and Life Insurance Election Forms (SF-2817) for each individual in our random sample covering the pay periods in the RITS submissions.

**Procedure 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 of the differences.

**Auditor Action for DoD, DOE, HHS, and EPA**

We compared the base salary used for payroll purposes with the base salary reflected on the employees' SFs-50. We did not find any differences for this comparison.

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

**Auditor Action for DoD, DOE, HHS, and EPA**

We compared the retirement plan codes on the employees' SFs-50 to the plan codes used in DCPS. The DOE and HHS auditors performed the same procedure for the DOE and HHS employees' SFs-50. We did not find any differences between the retirement plan codes on the employees' SFs-50 and the plan codes used in the payroll system.

**Procedure 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 of the differences.

**Auditor Action for DoD**

We calculated the retirement amount withheld and contributed for the plan codes from the employees' SFs-50, based on the official withholding and contribution rates required by law. We compared the calculated amounts to the actual amounts withheld and contributed for CSRS and FERS participants. We did not find any differences for this comparison.

**Auditor Action for DOE**

DOE auditors calculated the retirement amount withheld and contributed for the plan codes from the employees' SFs-50, based on the official withholding and contribution rates required by law. They compared the calculated amounts to the actual amounts withheld and contributed for CSRS and FERS participants. We did not find any differences for this comparison.

**Auditor Action for HHS**

HHS auditors calculated the retirement amount withheld and contributed for the plan codes from the employees' SFs-50, based on the official withholding and contribution rates required by law. They compared the calculated amounts to the actual amounts withheld and contributed for CSRS and FERS participants. HHS auditors did not find any differences for this comparison.

### **Auditor Action for EPA**

We calculated the retirement amount withheld and contributed for the plan codes from the employees' SFs-50, based on the official withholding and contribution rates required by law. We compared the calculated amounts to the actual amounts withheld and contributed for CSRS and FERS participants. We did not find any differences for this comparison.

**Procedure 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 a Health Benefits Election Form (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 of the differences.

### **Auditor Action for DoD, DOE, HHS, and EPA**

We obtained the official subscription rates for Health Benefits issued by OPM for all plans and options available to Federal employees. We then compared the employee withholdings and agency contributions with the official subscription rates issued by OPM for plans and options elected by the employees, as documented in the Health Benefits Registration Forms (SF-2809) in the employees' OPFs. The DOE and HHS auditors performed the same procedure for their employees. There were seven differences for this comparison. One difference came from the Army, and six differences came from HHS. We identified the Army exception and five of the six HHS exceptions in Procedure 2.b; we attributed the exceptions to missing documents. The sixth HHS exception involved calculation differences.

**Procedure 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 Life Insurance Election Form (SF-2817) documented in the employee's OPF. Report any differences and obtain management's explanation of the differences.

### **Auditor Action for DoD, DOE, HHS, and EPA**

We compared Life Insurance Election Forms (SF-2817) with withholding data in DCPS. The DOE and HHS auditors performed the same procedure for their employees. We found one difference from HHS for this comparison that we also identified in Procedure 2.b.

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

- For employee withholdings: Round the employee's annual base salary up to the nearest thousand dollars and add \$2,000. Divide this total by 1,000 and multiply by the rate required by law.
- For agency contributions: Divide the employee withholdings calculated above by two.

Compare the calculated amounts to the actual amounts withheld and contributed for Basic Life Insurance. Report any differences resulting from this step and obtain management's explanation of the differences.

### **Auditor Action for DoD, DOE, HHS, and EPA**

For employee withholdings, we calculated the withholding amounts for Basic Life Insurance by rounding the employee's annual base salary up to the next thousand dollars and adding \$2,000, then dividing the result by \$1,000 and multiplying by the rate required by law, \$0.15. We also divided the employee withholdings calculated above by 2. We compared the calculated amounts to the actual amounts withheld and contributed for Basic Life Insurance. The DOE and HHS auditors performed the same procedure for their employees. We did not have any differences for this procedure.

**Procedure 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 of the differences.

### **Auditor Action for DoD, DOE, HHS, and EPA**

We obtained the Life Insurance Election Forms (SF-2817) directly from employees' OPFs. We compared the optional Life Insurance coverage on the Life Insurance Election Form (SF-2817) to the optional Life Insurance coverage recorded in DCPS. We identified three discrepancies for this comparison. Two differences came from ODOs (OSD and WHS) and one difference came from HHS.

**Procedure 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 of 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 1000, divide by 1000, and multiply 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 of 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 of the differences.

### **Auditor Action for DoD, DOE, and EPA**

We calculated the amounts for optional Life Insurance as prescribed in step 2.j. We identified two differences for this comparison. The two differences came from ODO (one from OSD and one from WHS). These differences occurred

because of the documentation differences noted in step 2.i. We did not find differences in the comparison for DOE and EPA.

### **Auditor Action for HHS**

The HHS auditors performed the same procedures and found one difference for this comparison. This difference occurred because of the documentation differences noted in Procedure 2.i.

**Procedure 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.

**Procedure 3.a.** Obtain SF-2809s [sic] covering the pay periods in the RITS submissions chosen, either in electronic or hard copy format, from the selected employees' OPFs 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.

**Procedure 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 of the differences.

### **Auditor Action for DoD**

We randomly selected 15 employees that were in each of the pay periods we reviewed. The 15 represented employees who had no Health Benefits withholdings. We also obtained Health Benefits Registration Forms (SF-2809) for the 15 employees from their OPFs or a copy from the electronic personnel database. We inspected the documentation to determine whether employees elected any Health Benefits coverage. We then compared our results to the RITS submission and did not find any differences.

### **Auditor Action for DOE**

We randomly selected 15 employees that were in each of the pay periods we reviewed. The 15 represented employees who had no Health Benefits withholdings. DOE auditors obtained the Health Benefits Registration Forms (SF-2809) for the 15 employees from their OPFs or a copy from the electronic personnel database. They inspected the documentation to determine whether employees elected any Health Benefits coverage. They then compared their results to the RITS submission and did not find any differences.

### **Auditor Action for HHS**

We randomly selected 15 employees that were in each of the pay periods we reviewed. The 15 represented employees who had no Health Benefits withholdings. HHS auditors obtained the Health Benefits Registration Forms (SF-2809) for the 15 employees from their OPFs or a copy from the electronic personnel database. They inspected the documentation to determine whether employees elected any Health Benefits coverage. They then compared their results to the RITS submission and did not find any differences.

### **Auditor Action for EPA**

We randomly selected 15 employees that were in each of the pay periods we reviewed. The 15 represented employees who had no Health Benefits withholdings. We also obtained the Health Benefits Registration Forms (SF-2809) for the 15 employees from their OPFs or a copy from the electronic personnel database. We inspected the documentation to determine whether employees elected any Health Benefits coverage. We then compared our results to the RITS submission and did not find any differences.

**Procedure 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.

**Procedure 4.a.** Obtain the SF-2817s [sic] covering the pay periods in the RITS submissions chosen, either in electronic or hard copy format, from the selected employees' OPFs. Hard copies can be originals or certified copies. Inspect the SF-2817 to identify that the employee waived or cancelled Basic Life Insurance coverage.

**Procedure 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 of the differences.

### **Auditor Action for DoD**

We randomly selected 15 employees that were in each of the pay periods we reviewed. The 15 represented employees who had no Life Insurance withholdings according to the DCPS payroll files. We obtained the Life Insurance Election Forms (SF-2817) for the 15 employees from their OPFs. We then inspected the Life Insurance Election Forms (SF-2817) to determine whether the employee cancelled or waived the basic Life Insurance coverage. We found one difference for ODO (OSD).

### **Auditor Action for DOE**

We randomly selected 15 employees that were in each of the pay periods we reviewed. The 15 represented employees who had no Life Insurance withholdings according to the DCPS payroll files. DOE auditors obtained the Life Insurance Election Forms (SF-2817) for the 15 employees from their OPFs. DOE auditors then inspected the Life Insurance Election Forms (SF-2817) to determine whether the employee cancelled or waived the basic Life Insurance coverage. The DOE auditors found one difference.

### **Auditor Action for HHS**

We randomly selected 15 employees that were in each of the pay periods we reviewed. The 15 represented employees who had no Life Insurance withholdings according to the DCPS payroll files. HHS auditors obtained the Life Insurance Election Forms (SF-2817) for the 15 employees from their OPFs. HHS auditors then inspected the Life Insurance Election Forms (SF-2817) to determine whether the employee cancelled or waived the basic Life Insurance coverage. The HHS auditors did not find any differences.

### **Auditor Action for EPA**

We randomly selected 15 employees that were in each of the pay periods we reviewed. The 15 represented employees who had no Life Insurance withholdings according to the DCPS payroll files. We obtained the Life Insurance Election Forms (SF-2817) for the 15 employees from their OPFs. We then inspected the Life Insurance Election Forms (SF-2817) to determine whether the employee cancelled or waived the basic Life Insurance coverage. We did not find any differences.

**Procedure 5.** Calculate the headcount reflected on the September 2007 and March 2008 Semiannual Headcount Report selected, as follows.

**Procedure 5.a.** Obtain existing payroll information (from step 1.a.) supporting each Supplemental Semiannual Headcount report. If existing payroll data is 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.
- Number Enrolled (deductions made/no deductions).
- Central Personnel Data File Code.
- Aggregate Base Salary.

**Procedure 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.

**Procedure 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.

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

### **Auditor Action for DoD, DOE, HHS, and EPA**

We obtained the Supplemental Semiannual Headcount Reports submitted to OPM for pay periods ending September 1, 2007, and March 1, 2008. We compared these reports to the payroll files DCPS gave us for the same pay periods. The headcounts differed by less than the 2-percent reporting threshold criteria for this comparison.

**Procedure 6.** Calculate employer and employee contributions for Retirement, Health Benefits, and Life Insurance.

**Procedure 6.a.** Calculate Retirement withholdings and contributions for the three pay periods selected in step 1.a., as follows:

**Procedure 6.a.i.** Multiply the CSRS and FERS payroll base by the withholding and employer contribution rates required by law.

**Procedure 6.a.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 greater than 5 percent of the amounts on the RITS submission, and obtain management's explanation of the differences.

### **Auditor Action for DoD, DOE, HHS, and EPA**

We calculated the total CSRS and FERS retirement employee withholdings and employer contributions for the four pay periods that we reviewed, and compared the recalculated totals with the amounts shown on the RITS submission. The differences were within the 5-percent reporting threshold criteria for these comparisons.

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

**Procedure 6.b.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.

**Procedure 6.b.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 greater than 5 percent of the amounts on the RITS submission, and obtain management's explanation for the differences.

### **Auditor Action for DoD, DOE, HHS, and EPA**

We calculated employee withholdings and employer contributions for Health Benefits for the four pay periods we reviewed for each Health Benefits plan and plan option. We obtained the information from the DFAS payroll files. We obtained the official subscription rates for all plans and plan options from the OPM website. We totaled the results for each pay period and compared the results with the Health Benefits withholdings and employer contributions amounts shown on the RITS submission. The differences were within the 5-percent reporting threshold criteria for this comparison.

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

**Procedure 6.c.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.

**Procedure 6.c.ii.** For employee withholdings: Add the product of 2,000 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 total by 1,000 and multiply by the withholding rate required by law.

**Procedure 6.c.iii.** Compare the result in step 6.c.ii to the withholdings for Basic Life Insurance coverage reported on the RITS submission. Report any differences (i.e., gross rather than net) between the estimate and the amount of withholdings reported on the RITS submission greater than 5 percent of the amounts on the RITS submission, and obtain management's explanation of the difference.

**Procedure 6.c.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 greater than 5 percent of the amounts on the RITS submission, and obtain management's explanation of the differences.

### **Auditor Action for DoD, DOE, HHS, and EPA**

We calculated the Basic Life Insurance employee withholdings for the four pay periods we reviewed. We also obtain the total number of employees with Basic Life Insurance coverage and the aggregate annual basic pay for all employees with Basic Life Insurance. We multiplied the number of employees with Basic Life Insurance by 2000 and added that to the aggregate annual basic pay for all employees with Basic Life Insurance. We divided this total by 1,000 and multiplied that result by \$0.15 per thousand to estimate the Basic Life Insurance coverage. We then compared this amount to the RITS submission. We determined that all differences were within the 5-percent reporting threshold criteria for this comparison.

We calculated the Basic Life Insurance employer contributions for the four pay periods we reviewed. To estimate agency contributions, we divided the estimated Basic Life Insurance withholding by two and compared it to employer Basic Life contributions shown on the RITS submissions. We determined that all differences were within the 5-percent reporting threshold criteria for this comparison.

**Procedure 6.d.** Calculate the Option A, Option B and Option C Life Insurance coverage withholdings for the three pay periods selected by using detail payroll reports used to reconcile the RITS reports in Step 1. In addition to the information used for step 1, the reports should include the employee's date of birth, annual rate of basic pay, and 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.

**Procedure 6.d.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 [Federal Employees Group Life Insurance] Program Booklet.

**Procedure 6.d.ii.** Compare the result in step 6.d.i to the amounts for Option A reported on the RITS submissions. Report any differences (i.e., gross rather than net) greater than 2 percent of the amounts on the RITS submission, and obtain management's explanation of the differences.

### **Auditor Action for DoD, DOE, HHS, and EPA**

We calculated the Option A, Option B, and Option C Life Insurance coverage withholdings for the four pay periods we reviewed from the DFAS payroll files. We multiplied 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. We totaled the results for each payroll file and compared the results with the corresponding amounts on the RITS submissions. We determined that all differences were within the 2-percent reporting threshold criteria for this comparison, except for the March 1, 2008, payroll file for DOE. We calculated a difference of 3.99 percent that was mostly attributable to retroactive adjustments.

**Procedure 6.d.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 1000, divide by 1000, multiply by the rate for the age group, multiply this by the number of multiples:

(Annual rate of basic pay (rounded up)/1000\*rate\*multiples). For Option C, multiply the rate for the age group by the number of multiples chosen for each employee.

**Procedure 6.d.iv.** Compare the result in step 6.d.iii. to the amounts for Option B and Option C, respectively, reported on the RITS submissions. Report any differences (i.e. gross rather than net) greater than 2 percent of the amounts on the RITS submission for Option B or Option C, and obtain management's explanation of the differences.

### **Auditor Action for DoD, DOE, HHS, and EPA**

We segregated the DFAS payroll files for Option B and Option C insurance into the age groups shown in the FEGLI Program Booklet for the four pay periods we reviewed. We multiplied the results by the official withholding rates shown in the FEGLI Program Booklet, times the number of multiples of coverage elected, to reconstruct the total withholdings for Option B and Option C. We then compared this result with the amounts shown on the RITS submissions. We determined that all differences were within the 2-percent reporting threshold criteria for this comparison, except for the March 1, 2008, payroll file for ODO. We calculated a difference of 4.6 percent that was mostly attributable to retroactive adjustments.

## **Appendix A. Scope and Methodology**

We conducted these agreed-upon procedures from December 2007 through September 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the agreed-upon procedures to obtain sufficient, appropriate evidence to provide a reasonable basis for our results based on our agreed-upon objective. We believe that the evidence obtained provides a reasonable basis for our results based on our agreed-upon objectives. We performed additional procedures that we considered necessary in the circumstances. Specifically, we reviewed TSP (Thrift Savings Plan) information. We outlined these additional procedures in Memorandums of Agreement with DOE and HHS.

OMB required us to review the payroll periods that ended on September 1, 2007, and March 1, 2008. OMB also required us to judgmentally select another payroll period. We judgmentally selected two other payroll periods, those that ended on October 27, 2007, and November 10, 2007. For each payroll period, DFAS generates four payroll files for DoD, one for the Army, Navy, Air Force, and Other Defense Organizations (ODO) each payroll period. DFAS generates payroll files for three other DoD entities but they do not meet the 30,000 employee criteria. They include the Army overseas employees, Navy shipyard employees, and ODO overseas employees. DFAS also generates payroll files for DOE, HHS, and EPA each payroll period.

The DFAS payroll files we received showed an average of 799,000 employees for DoD, DOE, HHS, and EPA with a total gross payroll of about \$8 billion for the four payroll files we reviewed. DFAS total gross payroll for DoD, DOE, HHS, and EPA was about \$54 billion in FY 2008. For the four payroll periods reviewed, we compared the amounts DFAS withheld from employees pay to the amounts it reported to OPM.

In addition, we randomly selected a sample of 455 employees from the payroll period ended October 27, 2007, from the seven payroll data files by using Audit Command Language software. We compared the sample of 455 employees' pay and withholdings in DCPS to the documentary support in the OPFs. We did not audit the DOE or HHS OPFs. Auditors from the DOE Inspector General and HHS Inspectors General offices audited their respective OPFs. Both parties provided their working papers to us.

We also compared the number of employees (headcount) in the payroll files with the Semiannual Headcount Report DFAS submitted to OPM for the payroll periods ended September 1, 2007, and March 1, 2008.

We reviewed the payroll data and documentation supporting the \$430 million for Health Benefits, Life Insurance, and Retirement withholdings DFAS reported each year to OPM for DoD, DOE, HHS, and EPA civilian personnel. Specifically, we verified payroll data file totals and calculations of Health Benefits, Life Insurance, and Retirement withholdings for the four selected pay periods.

### **Use of Computer-Processed Data**

We obtained and relied upon payroll data from DCPS. Specifically, we relied on Health Benefits, Life Insurance, and Retirement withholdings and contributions for the pay periods ended on September 1, 2007; October 27, 2007; November 10, 2007; and March 1, 2008. We did not perform a formal reliability assessment because this was an agreed-upon procedures engagement. However, we determined some data reliability by totaling the data provided to us from DCPS and comparing that total to summary

documents previously prepared and provided to us by DCPS. We also compared payroll data from OPFs to the computer-processed data. We did not find errors that would preclude the use of computer-processed data to meet the objectives of the agreed-upon procedures or that would change the conclusions in the report.

### **Work of Other Auditors**

Auditors from the DOE Inspector General performed the agreed-upon procedures that involved reviewing DOE OPFs. Auditors from the HHS Inspector General performed the agreed-upon procedures that involved reviewing HHS OPFs. We reviewed their working papers and determined that we can rely on their work.

### **Government Accountability Office High-Risk Area**

The Government Accountability Office has identified several high-risk areas in DoD. This report provides coverage of the DoD Financial Management high-risk area.

## **Appendix B. Prior Coverage**

During the last 5 years, the Department of Defense Inspector General (DoD IG), the Army Audit Agency, and the Air Force Audit Agency have issued 11 reports discussing civilian payroll and withholding data. Unrestricted DoD IG reports can be accessed at <http://www.dodig.mil/audit/reports>. Unrestricted Army Audit Agency reports are on the internet at <https://www.aaa.army.mil/reports.htm>. Unrestricted Air Force Audit Agency reports are on the internet at <https://www.afaa.hq.af.mil/domainck/index/shtml>.

### ***DoD IG***

DoD IG Report No. D-2008-002, “DoD Salary Offset Program for FY 2008,” October 9, 2007

DoD IG Report No. D-2007-133, “Defense Civilian Pay System Placed in Operation and Tests of Operating Effectiveness for the Period of July 1, 2006, through June 30, 2007,” September 28, 2007

DoD IG Report No. D-2007-129, “Civilian Payroll and Withholding Data for FY 2007,” September 28, 2007

DoD IG Report No. D-2006-120, “Defense Civilian Pay System Placed in Operation and Tests of Operating Effectiveness for the Period of July 1, 2005, through June 30, 2006,” September 28, 2006

DoD IG Report No. D-2006-119, “Civilian Payroll and Withholding Data for FY 2006,” September 27, 2006

DoD IG Report No. D-2006-002, “Civilian Payroll and Withholding Data for FY 2005,” October 6, 2005

DoD IG Report No. D-2005-106, “Report on Defense Civilian Pay System Controls Placed in Operation and Tests of Operating Effectiveness for the Period of October 1, 2004, through June 30, 2005,” September 15, 2005

DoD IG Report No. D-2005-069, “Audit of the General and Application Controls of the Defense Civilian Pay System for FY 2005,” May 13, 2005

DoD IG Report No. D-2005-036, “Civilian Payroll and Withholding Data for FY 2004,” February 17, 2005

### ***Army***

Army Audit Agency Report No. A-2005-0258, “Management Controls Over Civilian Payroll Funds for FY 2005,” August 26, 2005

### ***Air Force***

Air Force Audit Agency Report No. F2007-0005-FB1000, “Follow-up Audit, Civilian Premium Payments,” February 2, 2007



# Appendix C. OPM Agreed-Upon Procedures

## 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

##### 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.

##### PROCEDURES

Obtain the APP's September 2007 and March 2008 Semiannual Headcount Report submitted to OPM and a summary of RITS submissions for September 2007 and the current fiscal year. For Retirement, Health Benefits, and Life Insurance select a total of three RITS submissions for September 2007 and the current fiscal year; two will coincide with the September 2007 and March 2008 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 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 from management a management official name, an explanation, telephone number, and an email address for the differences above the one percent threshold.

- 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
  - 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).
- i. For Health Benefits, compare date of 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 the step 2.f. covers the pay periods in the RITS submissions chosen.
- 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 a Health Benefits Election Form (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/08rates/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 Life Insurance Election Form (SF-2817) documented in the employee's OPF. Report any differences resulting from this step and obtain management's explanation for the differences.
- 2.h. For each individual selected in step 2.a., calculate the withholding and contribution amounts for Basic Life Insurance using the following:
- For employee withholdings: Round the employee's annual base salary up to the nearest thousand dollars and add \$2,000. Divide this total by 1,000 and multiply by the rate required by law. The Life Insurance rates can be found in the FEGLI Program Booklet on OPM's website at <http://www.opm.gov/insure/life/handbook/costs2.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 1000, divide by 1000, and multiply 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 that the employee waived or 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 2007 and March 2008 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.
  - 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 from management 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 Life Insurance as follows:
  - 6.a. Calculate Retirement withholdings and 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 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 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 2,000 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 Live 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 by the withholding rate required by law. The Life Insurance withholding rates can be found 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 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 Life Insurance coverage withholdings for the three pay periods selected by using detail payroll reports used to reconcile the RITS reports in Step 1. In addition to the information used for step 1, the reports should include the employee's date of birth, annual rate of basic pay, and 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 1000, divide by 1000, multiply by the rate for the age group multiply this by the number of multiples:  
  
(Annual rate of basic pay (rounded up) /1000\*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.

## REVISIONS TO INSTRUCTIONS

(from the Office of Management and Budget's Bulletin No. 07-04; *Audit Requirements for Federal Financial Statements* dated September 4, 2007)

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). The Agreed-Upon Procedures (AUPs) enumerated in "Section 11" shall be performed annually in accordance with Statements of Standards for Attestation Engagements, AT Section 201, "Agreed-Upon Procedures Engagements." 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 shall be applied to the 12 months ended August 31 of each year.
  - a. Refer to <http://www.opm.gov/oig> for the current AUPs required by OPM.
  - b. The auditor of each payroll provider shall apply the AUPs separately (1) for each entity designated as subject to the CFO Act in Appendix A; (2), the Department of Homeland Security; and (3) each entity not designated as subject to the CFO Act that has 30,000 or more employees.
  - c. Although the auditor must perform the AUPs separately for each applicable entity, the auditor shall combine the results into a single report.
  - d. The auditor of the payroll provider is the principal auditor for the purpose of performing the AUPs. The auditors of customer agencies shall participate to the extent necessary to ensure that the AUPs are performed effectively and within the established timeframes.
  - e. In light of the migration of payroll servicing responsibilities under the e-Payroll initiative, the payroll provider as of March 31 shall be responsible for assuring that the AUPs are performed and reported upon.
  - f. The report on the performance of the AUPs shall be submitted no later than *October 1*. To the extent practical, management's comments on the auditor's findings shall be included in the report.
  - g. If a specific AUP cannot be performed, the auditor must propose to OPM's Office of the Inspector General (OIG) in writing no later than *July 15* at the address in 10.g. an alternative procedure that would accomplish the AUPs' objectives. In addition, auditors shall notify OPM's OIG by *September 1* of any other anticipated difficulties in completing the procedures and submitting the required report by October 1.

- h. The principal auditor of the payroll provider is required to report all findings to OPM by adhering to the AICPA and Government Auditing Standards attestation standards format that can be found on the following website <http://www.aicpa.org/download/members/div/auditstd/AT-00201.PDF> paragraphs 31 and 32, and <http://www.gao.gov/govaud/d07162g.pdf> Chapter 6, respectively. This will assist and enhance OPM's ability to track each finding for all agencies.*
- i. Agencies shall 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 [wwscott@opm.gov](mailto:wwscott@opm.gov), with a cc: to [Finance@opm.gov](mailto:Finance@opm.gov).

U.S. Office of Personnel Management  
Office of Inspector General  
Room 6400  
1900 E Street, N.W.  
Washington, DC 20415  
Attention: W.W. Scott, Jr.

# Department of Army Comments



DEPARTMENT OF THE ARMY  
OFFICE OF THE DEPUTY CHIEF OF STAFF, G-1  
5440 STUDENT DRIVE  
ABERDEEN PROVING GROUND, MD 21005-6200

PECP-CHP

1 October 2008

MEMORANDUM FOR Department of Defense, Office of the Inspector General,  
ATTN: Mr. Mark Henricks/Mr. Thomas Winter, 400 Army Navy Drive, Arlington,  
VA 22202-4704

SUBJECT: Comments on the Discussion Draft of FY 2008 Civilian Payroll  
Withholding Data and Enrollment Information (Project No. D2008-D000FP-  
0053.000)

1. This office agrees with the findings and recommendation on subject. As stated in the recommendation, the Department of the Army continues to implement and improve Human Resources processes and its payroll withholding procedures to ensure that payroll withholding authorizations support the amounts actually withheld. This is accomplished by working closely with the Defense Finance and Accounting Service (DFAS) at both the operational and staff levels, and continually evaluating human resources processes, quality control, and training requirements.
2. The point of contact is Ms. Lynn Swingle, at (410) 306-1758 or by e-mail at [lynn.swingle@us.army.mil](mailto:lynn.swingle@us.army.mil).

*for Candace A. Behling*  
JOSEPH A. LEVY  
Acting Director, Civilian Human  
Resources Agency

# Department of Navy Comments



DEPARTMENT OF THE NAVY  
OFFICE OF CIVILIAN HUMAN RESOURCES  
814 SICARD STREET SE SUITE 100  
WASHINGTON NAVY YARD, D.C. 20374-5972

October 2, 2008

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL

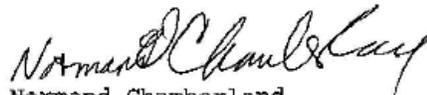
SUBJECT: Agreed-Upon Procedures for Reviewing the FY 2008  
Civilian Payroll Withholding Data and Enrollment  
Information (Project No. D2008-D000FP-0053.000)

REF: (a) DoD IG memo of 29 Sep 08

Reference (a) forwarded the draft audit report for review and comment. The Department of the Navy (DON) agrees with the findings identified in the draft report. The DON had ten initial discrepancies and no final unresolved discrepancies.

The DON continues to work with the Defense Finance and Accounting Service to further improve the quality of benefits actions and documentation.

If you have questions regarding this information, you may contact Ms. Hilary Long at (360)315-8133 or email [hilary.long@navy.mil](mailto:hilary.long@navy.mil).

  
Normand Chamberland  
OCHR IG

# National Guard Bureau Comments



NATIONAL GUARD BUREAU  
1411 JEFFERSON DAVIS HIGHWAY  
ARLINGTON, VA 22202-3231

NGB-J1-TN

1 October 2008

MEMORANDUM FOR the Department of Defense Inspector General, 400 Army Navy Drive (Room 801), Arlington Virginia 22202-4704

SUBJECT: Agreed-Upon Procedures for Reviewing the FY 2008 Civilian Payroll Withholding Data and Enrollment Information (DoD Inspector General Project No. D2008-D000FP-0053.000)

1. Reference your September 29, 2008 memorandum, same subject. We have reviewed the report as required and concur with the finding. We have no comments, since we were able to resolve the discrepancy at the time of the inspection. Please note the National Guard Bureau continues to make improvements in this area and have in place sufficient procedures to preclude future occurrences.
2. Please direct questions to Mr. John Christie at 703.607.1458 (DSN: 327) or john.christie1@us.army.mil.

A handwritten signature in black ink, appearing to read "William F. Kolbinger".

WILLIAM F. KOLBINGER  
Colonel, USAF  
Chief, Office of Technician Personnel

# Department of Health and Human Service Comments

MEMORANDUM FOR MARK S. HENRICKS,  
PROGRAM DIRECTOR, FINANCIAL RESOURCES DIVISION  
DEPARTMENT OF DEFENSE INSPECTOR GENERAL

SUBJECT: Fiscal Year 2008 Office of Personnel Management Agreed-Upon  
Procedures

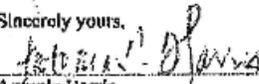
We have reviewed the draft report of the FY 2008 OPM Agreed Upon Procedures for civilian payroll withholding data and enrollment information. These procedures were agreed to by the Department of Defense (DoD) Office of Inspector General (OIG), solely to assist the DoD OIG with respect to the Office of Management and Budget Bulletin 07-04, Audit Requirements for Federal Financial Statements, Section 11 Agreed-Upon Procedures for Retirement, Health Benefits, and Life Insurance Withholdings / Contributions and Supplemental Semiannual Headcount Report submitted to the Office of Personnel Management. The sufficiency of the procedures is solely the responsibility of the DoD OIG, and we make no statement regarding the sufficiency of the procedures.

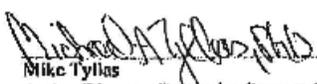
We agree with your recommendation to continue to implement and improve payroll withholding procedures to ensure that payroll withholding authorizations support the amounts actually withheld. Yet we disagree with the following finding. Instead of 12 HHS OPF files with unresolved discrepancies, there should only be 7. The 4 TSP exceptions are not a required result of the OPM Agreed Upon Procedures. They are a result of the TSP test procedures conducted solely on the request by the DoD OIG. In addition, there was 1 FEGLI withholding error that was corrected as of April 24, 2008.

As of May 1, 2008, we have implemented the following activities to further promote the accurate maintenance of OPFs: 1) conduct periodic quality reviews of personnel folders; 2) added multiple levels of review for all documents that are scanned to the eOPF; and 3) submit form letters to employees asking them to verify the documentation in their eOPF.

The Department of Health and Human Services continues its strong commitment to maintaining sufficient personnel files, eliminating potential audit findings, and implementing corrective actions whenever necessary.

Sincerely yours,

 9/26/08  
Antonia Harris  
Deputy Assistant Secretary,  
Office of Human Resources  
Assistant Secretary for Administration and  
Management

 9/26/08  
Mike Tylas  
Acting Director, Enterprise Support Service  
Program Support Center  
Assistant Secretary for Administration and  
Management

## **Team Members**

The Department of Defense Office of the Deputy Inspector General for Auditing, Defense Financial Auditing Service prepared this report. Personnel of the Department of Defense Office of Inspector General who contributed to the report are listed below.

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# Inspector General Department of Defense

