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**Independent Accountant's Report
on the Application of Agreed-Upon Procedures: Retirement, Health Benefits, and Life
Insurance Withholdings/Contributions and Supplemental Semiannual Headcount Report
Submitted to the Office of Personnel Management
AUD/FM-08-38**

The Honorable Patrick E. McFarland
U.S. Office of Personnel Management:

We have performed the procedures described in the enclosure to this letter, which were agreed to by the Inspector General and the Chief Financial Officer of the U.S. Office of Personnel Management (OPM), solely to assist you to evaluate employee withholdings and employer contributions reported on the Report of Withholdings and Contributions for Health Benefits, Life Insurance, and Retirement for the payroll period ended January 19, 2008; the Semiannual Headcount Report as of September 1, 2007; and the Semiannual Headcount Report as of March 1, 2008. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Inspector General and the Chief Financial Officer of OPM. Consequently, we make no representation regarding the sufficiency of the procedures described in the enclosure either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to, and did not perform, an examination, the objective of which would be the expression of an opinion on the withholdings and contributions for health benefits, life insurance, and retirement and the Semiannual Headcount Report of the U.S. Department of State. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the Inspector General and the Chief Financial Officer of OPM and should not be used by those who have not agreed to the procedures or have 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.



Leonard G. Birnbaum and Company, LLP
September 2, 2008

Enclosure: As stated.

Agreed-Upon Procedures

Procedure	Findings/Comments
<p>Obtain the agency payroll provider's (APP) September 2007 and March 2008 Semiannual Headcount Report submitted to OPM and a summary of the Report of Withholdings and Contributions for Health Benefits, Life Insurance, and Retirement (RITS) submissions for September 2007 and the current fiscal year.</p> <p>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 Reports. Obtain payroll information for the periods covered by the RITS submissions selected.</p>	<p>Completed.</p> <p>Completed. The first period selected ended September 1, 2007, which coincided with the September 2007 Semiannual Headcount Report; the second period ended on January 19, 2008; and the third period ended March 1, 2008, which coincided with the March 2008 Semiannual Headcount Report.</p>
<p>1. Compare RITS submission data with the payroll information by performing the following procedures:</p> <p>1.a. Recalculate the mathematical accuracy of the payroll information.</p> <p>1.b. Recalculate the mathematical accuracy of each RITS submission for the payroll information selected in step 1.a.</p> <p>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. with the related amounts shown on the RITS submission for the corresponding period.</p> <p>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.</p>	<p>Completed.</p> <p>Completed.</p> <p>Completed.</p> <p>Completed. No differences noted.</p>
<p>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 <u>all</u> 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,</p>	<p>Completed.</p>

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<p>Covered by Basic Life Insurance, and Covered by at least one Federal Employees' Group Life Insurance (FEGLI) optional coverage (Option A, B, or C).</p> <p>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.</p> <ul style="list-style-type: none"> • 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.) <ul style="list-style-type: none"> 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 step 2.f. covers the pay periods in the RITS submissions chosen. <p>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 with 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.</p> <p>2.d. For Retirement for each individual selected in step 2.a., compare the retirement plan code from the employee's SF-50 with the plan code used in the payroll system. Report any differences resulting from this step, and obtain management's explanation for the differences.</p> <p>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</p>	<p>Completed.</p> <p>Completed. No differences noted.</p> <p>Completed. No differences noted.</p> <p>Completed. No differences noted.</p> <p>Completed. No differences noted.</p>

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<p>amounts with 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.</p> <p>2.f. For Health Benefits for each individual selected in step 2.a., compare the employee withholdings and agency contributions with 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.</p> <p>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.</p> <p>2.h. For each individual selected in step 2.a., calculate the withholding and contribution amounts for Basic Life Insurance using the following:</p> <ul style="list-style-type: none"> • For <u>employee withholdings</u>: 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 <u>agency contributions</u>: Divide the employee withholdings calculated above by two. <p>Compare the calculated employee withholdings and agency contributions with 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.</p> <p>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 with the optional coverage documented in the payroll system. Report any differences resulting from this step, and obtain management's explanation for the differences.</p> <p>2.j. For each individual selected in step 2.a., calculate the withholding amounts for optional life insurance using the following:</p> <ul style="list-style-type: none"> • 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 	<p>Completed. The election coverage in the payroll system for 2 of 25 employees did not agree with the election coverage in the OPF.</p> <p>Completed. The election coverage in the payroll system for 2 of 25 employees did not agree with the election coverage in the OPF.</p> <p>Completed.</p> <p>Completed.</p> <p>Completed. No differences noted.</p> <p>Completed. The election coverage in the payroll system for 2 of 25 employees did not agree with the election coverage in the OPF.</p> <p>Completed. No differences noted.</p>

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<p>age group. Compare the calculated amount with the amount withheld for Option A Life Insurance. Report any differences resulting from this step, and obtain management’s explanation for the differences.</p> <p>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 with the amount withheld for Option B Life Insurance. Report any differences resulting from this step, and obtain management’s explanation for the differences.</p> <p>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 with the amount withheld for Option C Life Insurance. Report any differences resulting from this step, and obtain management’s explanation for the differences.</p>	<p>Completed. No differences noted.</p> <p>Completed. No differences noted.</p>
<p>3. Randomly select a total of 10 employees who have <u>no</u> Health Benefits withholdings from the payroll information corresponding to the three RITS submissions selected above, and perform the following steps for each employee selected:</p> <p>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 (i.e., 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:</p> <ul style="list-style-type: none"> • 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 	<p>Completed.</p> <p>Completed.</p>

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<ul style="list-style-type: none"> • 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. <p>3.b. Compare the result in step 3.a. with the RITS submissions. Report any differences resulting from this step, and obtain management’s explanation for the differences.</p>	<p>Completed. No differences noted.</p>
<p>4. Randomly select a total of 10 employees who have <u>no</u> Life Insurance withholdings from the payroll information corresponding to the three RITS submissions selected above, and perform the following steps for each employee selected:</p> <p>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.</p> <p>4.b. Compare the result in step 4.a. with the RITS submissions. Report any differences resulting from this step, and obtain management’s explanation for the differences.</p>	<p>Completed.</p> <p>Completed.</p> <p>Completed. No differences noted.</p>
<p>5. Calculate the headcount reflected on the September 2007 and March 2008 Semiannual Headcount Report selected as follows:</p> <p>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:</p> <ul style="list-style-type: none"> • 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. <p>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.</p>	<p>Completed.</p> <p>Completed.</p>

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<p>5.c. Compare the payroll information obtained in step 5.a. and the calculated headcount from step 5.b. with the information shown on each respective Semiannual Headcount Report.</p>	Completed.
<p>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 e-mail address, and an explanation for the differences.</p>	Completed. No differences greater than two percent noted.
<p>6. Calculate employer and employee contributions for Retirement, Health Benefits, and Life Insurance as follows:</p> <p>6.a. Calculate Retirement withholdings and contributions for the three pay periods selected in step 1.a. as follows:</p> <ul style="list-style-type: none"> 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. with 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. <p>6.b. Calculate employee withholdings and employer contributions for Health Benefits for the three pay periods selected in step 1.a. as follows:</p> <ul style="list-style-type: none"> 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. <p>6.c. Calculate the Basic Life Insurance employee withholdings and employer contributions for the three pay periods selected in step 1.a. as follows:</p> <ul style="list-style-type: none"> i. Obtain a payroll system query from APP personnel to obtain the total number of employees with Basic Life Insurance coverage and the 	<p>Completed.</p> <p>Completed. No differences greater than five percent noted.</p> <p>Completed.</p> <p>Completed. No differences greater than five percent noted.</p> <p>Completed.</p>

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<p>aggregate annual basic pay for all employees with Basic Life Insurance.</p> <p>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 web site.</p> <p>iii. Compare the result in step 6.c.ii. with 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.</p> <p>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 with 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.</p> <p>6.d. Calculate the Option A, Option B, and Option C Life Insurance coverage withholdings for the three pay periods selected by using detailed 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 Options 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.)</p> <p>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.</p> <p>ii. Compare the result in step 6.d.i. with 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.</p>	<p>Completed.</p> <p>Completed. No differences greater than five percent noted.</p> <p>Completed. No differences greater than five percent noted.</p> <p>Completed.</p> <p>Completed.</p> <p>Completed. No differences greater than two percent noted.</p>

