



U.S. Department of State

Independent Accountant's Report on the Application of Agreed-Upon Procedures: Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the Office of Personnel Management

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**KEARNEY &
COMPANY**

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Office of Personnel Management**

Mr. Norbert Vint, Acting Inspector General
U.S. Office of Personnel Management

Kearney & Company, P.C. (referred to as "we" in this report), performed the procedures described in the enclosure to this report, which were agreed to by the Inspector General and the Chief Financial Officer of the U.S. Office of Personnel Management (OPM). These procedures were performed to assist 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 by the Department of State (Department) for the payroll periods ended September 2, 2017, January 20, 2018, and February 17, 2018.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and generally accepted government auditing standards. The sufficiency of these procedures and related subject matter 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.

The procedures and associated results are presented in the enclosure.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the withholdings and contributions for retirement, health benefits, and life insurance; and the Semiannual Headcount Reports of the Department. 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 information and use of the Inspector General and the Chief Financial Officer of OPM and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record, and its distribution is not limited.



Alexandria, Virginia
September 28, 2018
Enclosure

Procedures Agreed Upon	Findings/Comments
<p>For employee benefit withholding and contributions:</p> <ul style="list-style-type: none"> obtain the agency payroll provider’s (APP) September 2017 and March 2018 Semiannual Headcount Reports submitted to the Office of Personnel Management (OPM) and a summary of Retirement and Insurance Transfer System (RITS) submissions for September 2017 and the current fiscal year. <p>For each program (retirement, health benefits, and life insurance):</p> <ul style="list-style-type: none"> select a total of three RITS submissions for September 2017 and the current fiscal year; two will coincide with the September 2017 and one with the March 2018 Semiannual Headcount Reports. Obtain payroll information for the periods covered by the RITS submissions selected. 	<p>Completed.</p> <p>Selected pay periods 17 (2017) and 3 (2018), which coincided with the September 2017 and March 2018 Semiannual Headcount Reports, respectively. Because only one RITS submission coincides with the September 2017 Semiannual Headcount Report, a third pay period was selected: pay period 1 (2018).</p>
<p>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.):</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 recalculated 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. to 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 and document an explanation from a management official, including the official’s name, telephone number, and an email address for the differences above the one percent threshold.</p>	<p>Completed.</p> <p>Completed.</p> <p>Completed.</p> <p>Completed.</p> <p>Completed. No differences were found as a result of applying this procedure.</p>
<p>2. Perform detail testing of a random sample of transactions as follows:</p>	

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<p>2.a. Randomly select 25 individuals who were in the payroll system for all three of the RITS submissions selected above that meet <u>these</u> criteria.</p> <ul style="list-style-type: none"> • 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). <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>	<p>Completed.</p>
<ul style="list-style-type: none"> • All Notifications of Personnel Actions (SF-50) covering the pay periods in the RITS submissions chosen; 	<p>Completed.</p>
<ul style="list-style-type: none"> • 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); and 	<p>Completed.</p>
<ul style="list-style-type: none"> • For Health Benefits, compare date of the payroll transaction with date on the certified copy of the SF-2809 or the agency’s automated system report obtained above to identify whether the health benefit information to be used in step 2.f. covers the pay periods in the RITS submissions chosen. 	<p>Completed.</p>
<ul style="list-style-type: none"> • 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.) 	<p>Completed. However, 2 out of 25 employees’ SF-2817s were not provided.</p>

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<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 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.</p>	<p>Completed. No differences were found as a result of applying this procedure.</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 to 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>Completed. No differences were found as a result of applying this procedure.</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 amounts to the actual amounts withheld and contributed for the retirement plan. Report any differences and obtain management’s explanation for the differences.</p>	<p>Completed. No differences were found as a result of applying this procedure.</p>
<p>2.f. For Health Benefits for each individual selected in step 2.a, compare the employee withholdings and agency contributions to the official subscription rates issued by OPM for the plan and option elected by the employee, as documented by an SF-2809 in the employee’s OPF or automated system that allows the participant to change benefits (e.g., Employee Express). Report any differences resulting from this step and obtain management’s explanation for the differences. The Health Benefits rates can be found on OPM’s website at: http://www.opm.gov/insure/health/rates/index.asp.</p>	<p>Completed. No differences were found as a result of applying this procedure.</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 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>Completed. No differences were found for 21 of 25 employees as a result of applying this procedure. However, for two employees, FEGLI Basic Life Insurance was not elected, per their SF-2817s. Additionally, two employees’ SF-2817s were not provided and, as a result, we could not verify that Basic Life Insurance was elected. Management was unable to</p>

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<p>2.h. For each individual selected in step 2.a, calculate the withholding and agency contribution amounts for Basic Life Insurance using the following:</p> <ul style="list-style-type: none"> For employee withholdings: Round the employee’s annual base salary up to the nearest \$1,000 and add \$2,000. Divide this total by 1,000 and multiply by the rate required by law. The Life Insurance rates are on OPM’s website at: http://www.opm.gov/insure/life/rates/index.asp. For agency contributions: Divide the employee withholdings calculated above by two. <p>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.</p> <p>2.i. 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.</p>	<p>provide an explanation for these differences.</p> <p>Completed.</p> <p>Completed.</p> <p>Completed. No differences were found as a result of applying this procedure.</p> <p>Completed. No differences were found for 18 of 25 employees as a result of applying this procedure. However, for five employees, optional coverage on their SF-2817s did not agree with the optional coverage documented in the payroll system. Specifically, the first employee’s SF-2817 indicated that the employee had elected Basic + Option B (1x), but the payroll system indicated that the employee had elected Basic + Option A + Option B (4x). The second employee’s SF-2817 indicated that the employee waived life insurance coverage, but the payroll system indicated that the employee had elected Basic + Option B (2x) + Option C (2x). The third employee’s SF-2817 indicated that the employee had elected Basic + Option B (1x) + Option C (1x),</p>

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<p>2.j. For each individual selected in step 2.a, calculate the withholding amounts for optional life insurance using the following methods:</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 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. 	<p>but the payroll system indicated that the employee had elected Basic + Option B (5x) + Option C (5x). The fourth employee’s SF-2817 indicated that the employee had elected Basic + Option B (4x) + Option C (5x), but the payroll system indicated that the employee had elected Basic + Option A + Option B (5x) + Option C (5x). The fifth employee’s SF-2817 indicated that the employee had elected Option B (2x), but the payroll system indicated that the employee had elected Basic + Option A + Option B (2x) + Option C (1x). Additionally, two employees SF-2817s were not provided and, as a result, we could not verify optional coverage elections. Management was unable to provide an explanation for these differences.</p> <p>Completed. No differences in calculations were found as a result of applying this procedure. However, three employees’ optional coverage elections on their SF-2817s did not agree with the optional coverage documented in the payroll system. The first employee’s SF-2817 indicated that the employee had elected Basic + Option B (1x), but the payroll system indicated that the employee had elected Basic + Option A + Option B (4x). Because of the difference in elections, the Department withheld \$1.10 for Option A when it should not have withheld anything. The second employee’s SF-2817 indicated that the employee had elected Basic + Option B (4x) + Option C (5x), but the payroll system indicated that the</p>

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<ul style="list-style-type: none"> For Option B: Inspect the SF-2817 to obtain the number of multiples chosen for Option B. Locate the employee's age group using the age groups provided for Option B in the FEGLI Program Booklet. Round the employee's annual rate of basic pay up to the next 1,000, divide it by 1,000, and then multiply it by the rate for the respective age group. Multiply this amount by the number of multiples chosen for Option B Life Insurance. Compare the calculated amount 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>employee had elected Basic + Option A + Option B (5x) + Option C (5x). Because of the difference in elections, the Department withheld \$2.00 for Option A when it should not have withheld anything. The third employee's SF-2817 indicated that the employee had elected Option B (2x), but the payroll system indicated that the employee had elected Basic + Option A + Option B (2x) + Option C (1x). Because of the difference in elections, the Department withheld \$2.00 for Option A when it should not have withheld anything. Additionally, one employee's SF-2817 was not provided but the payroll system indicated that the employee had elected Basic + Option A. As a result, we were unable to verify the withheld amount of \$2.00 for Option A. Management was unable to provide an explanation for these differences.</p> <p>Completed. No differences in calculations were found as a result of applying this procedure. However, four employees' optional coverage elections on their SF-2817s did not agree with the optional coverage documented in the payroll system. Specifically, the first employee's SF-2817 indicated that the employee had elected Basic + Option B (1x), but the payroll system indicated that the employee had elected Basic + Option A + Option B (4x). Because of the difference in elections, the Department withheld \$36.96 for Option B (4x) when it should have withheld \$9.24 for Option B (1x). The second employee's SF-2817 indicated that the employee had waived life insurance coverage, but the payroll system indicated that the employee had elected</p>

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<ul style="list-style-type: none"> 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. 	<p>Basic + Option B (2x) + Option C (2x). Because of the difference in elections, the Department withheld \$19.14 for Option B (2x) when it should not have withheld anything. The third employee's SF-2817 indicated that the employee had elected Basic + Option B (1x) + Option C (1x), but the payroll system indicated that the employee had elected Basic + Option B (5x) + Option C (5x). Because of the difference in elections, the Department withheld \$107.00 for Option B (5x) when it should have withheld \$21.40 for Option B (1x). The fourth employee's SF-2817 indicated that the employee had elected Basic + Option B (4x) + Option C (5x), but the payroll system indicated that the employee had elected Basic + Option A + Option B (5x) + Option C (5x). Because of the difference in elections, the Department withheld \$138.00 for Option B (5x) when it should have withheld \$110.40 for Option B (4x). Additionally, one employee's SF-2817 was not provided but the payroll system indicated that the employee had elected Basic + Option B (5x) + Option C (5x). As a result, we were unable to verify the withheld amount of \$71.50 for Option B. Management was unable to provide an explanation for these differences.</p> <p>Completed. No differences in calculations were found as a result of applying this procedure. However, three employees' optional coverage elections on their SF-2817s did not agree with the optional coverage documented in the payroll system. Specifically, the first employee's SF-2817 indicated that the employee had waived life insurance</p>

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	<p>coverage, but the payroll system indicated that the employee had elected Basic + Option B (2x) + Option C (2x). Because of the difference in elections, the Department withheld \$1.84 for Option C (2x) when it should not have withheld anything. The second employee's SF-2817 indicated that the employee had elected Basic + Option B (1x) + Option C (1x), but the payroll system indicated that the employee had elected Basic + Option B (5x) + Option C (5x). Because of the difference in elections, the Department withheld \$7.40 when it should have withheld \$1.48. The third employee's SF-2817 indicated that the employee had elected Option B (2x), but the payroll system indicated that the employee had elected Basic + Option A + Option B (2x) + Option C (1x). Because of the difference in elections, the Department withheld \$1.48 for Option C (1x) when it should have not withheld anything. Additionally, one employee's SF-2817 was not provided but the payroll system indicated that the employee had elected Basic + Option B (5x) + Option C (5x). As a result, we were unable to verify the withheld amount of \$4.60 for Option C. Management was unable to provide an explanation for these differences.</p>
<p>3. Randomly select a total of 10 employees who do not have Health Benefits withholdings from the payroll information corresponding to the three RITS submissions selected above and perform the following for each employee selected:</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 (through 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</p>	<p>Completed.</p> <p>Completed.</p>

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<p>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:</p> <ul style="list-style-type: none"> • An absence of an SF-2809 in the OPF and no election of coverage made through the agency’s automated system that allows participants to change benefits (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. <p>3.b. Compare the results 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 were found as a result of applying this procedure.</p>
<p>4. Randomly select 10 employees who have no 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 selected, either in electronic or hard-copy format, from the selected employee’s OPF. Hard copies can be originals or certified copies. Inspect the SF-2817 to identify whether the employee waived or canceled 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 were found as a result of applying this procedure.</p>
<p>5. Calculate the headcount reflected on the September 2017 and March 2018 Semiannual Headcount Report selected, by following the methods below.</p>	<p>Completed.</p>

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<p>5.a. Obtain existing payroll information (from step 1.a.) that supports each Supplemental Semiannual Headcount report. If existing payroll data are not available, obtain a payroll system query that summarizes detailed payroll data supporting each Supplemental Semiannual Headcount Report, as listed below:</p> <ul style="list-style-type: none"> • Benefit Category (see Semiannual Headcount Report). • Dollar Amount of withholdings and contributions. • Number Enrolled (deductions made or no deductions). • Central Personnel Data File Code. • Aggregate Base Salary. <p>5.b. Recalculate the headcount reflected on each Semiannual Headcount Report. If an electronic file is not available, use the suggested method below to recalculate headcount:</p> <ul style="list-style-type: none"> • estimate the number of employees per payroll register page by counting the employees listed on several pages, • count the number of pages in the payroll register, and • multiply the number of employees per page by the number of pages, or count (using a computer audit routine) the number of employees on the payroll data file for the period. <p>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. Report any differences (i.e., gross rather than net) greater than two percent. Obtain a management official name, telephone number, an email address, and an explanation for the differences.</p>	<p>Completed.</p> <p>Completed.</p> <p>Completed. No differences were found as a result of applying this procedure.</p>
<p>6. Calculate employer and employee contributions for Retirement, Health Benefits, and Basic Life Insurance as described below:</p> <p>6.a. Calculate employer and employee contributions for the three pay periods selected in step 1.a as described below:</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 to the related amounts shown on the RITS submissions. Report any differences (i.e., gross rather than net) between the 	<p>Completed.</p> <p>Completed. When comparing the results in step 6.a.i with the retirement amounts reported on</p>

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<p>calculated amounts and the amounts reported on the RITS submissions that are greater than five percent of the amounts on the RITS submission, and obtain management’s explanation for the differences.</p>	<p>the RITS submission for January 2018, we identified differences greater than 5 percent of the amount. Management stated that the calculation of the withholding amount is based on a per-period amount and that the RITS file contained the withholding amount plus adjustments made. Management provided documentation demonstrating that when the adjustments were included, the recalculated amounts fell below the 5-percent threshold.</p>
<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 that are greater than five percent of the amounts on the RITS submission, and obtain management’s explanation for the differences. 	<p>Completed.</p> <p>Completed. No differences were found as a result of applying this procedure.</p>
<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 aggregate annual basic pay for all employees with Basic Life Insurance. ii. For employee withholdings: Add the product of 2,500 times the number of employees with Basic Life Insurance coverage from step 6.c.i above to the aggregate annual 	<p>Completed.</p> <p>Completed.</p>

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<p>basic pay for all employees with Basic Life Insurance from step 6.c.i above to calculate the estimated total Basic Life Insurance coverage. Divide this calculated total by 1,000, and multiply it by the withholding rate required by law. The Basic Life Insurance withholding rates are in the FEGLI Program Booklet on OPM’s website.</p> <p>i. Compare the results 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.</p> <p>ii. 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.</p>	<p>Completed. No differences were found as a result of applying this procedure.</p> <p>Completed. No differences were found as a result of applying this procedure.</p>
<p>6.d. Calculate the Option A, Option B, and Option C Basic Life Insurance coverage withholdings for the three pay periods selected by using detailed payroll reports used to reconcile the RITS reports in Step 1 on page 2. In addition to the information used for step 1, the reports should include the employee's date of birth, annual rate of basic pay, and number of multiples selected for Option B and C. (Note: While similar to step 2.j, the calculation for this procedure is for the entire amount reported on the RITS submissions for the three pay periods selected, as opposed to the sample of 25 employees in 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</p>	<p>Completed.</p> <p>Completed. No differences were found as a result of applying this procedure.</p>

