



**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**

**AUD-FM-23-02**

**October 2022**

**KEARNEY &  
COMPANY**

**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**

Mary Davis-Williams  
Office of 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). We performed these procedures 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).

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and *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. These procedures may not address all of the items of interest to a user of the report and may not meet the needs of all users of the report. As such, users are responsible for determining whether these procedures are appropriate for their purposes. The enclosure describes the agreed-upon procedures and our results. We completed our agreed-upon procedures on September 30, 2022.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, 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 or conclusion. Had we performed additional procedures; other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Department and to meet our ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

The purpose of this report is 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. This report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Kearney & Company". The signature is stylized and cursive.

Alexandria, Virginia  
September 30, 2022  
Enclosure

Procedures Agreed Upon	Findings/Comments
<p>For employee benefit withholding and contributions:</p> <ul style="list-style-type: none"> <li>Obtain the agency payroll provider's (APP) September 2021 and March 2022 Semiannual Headcount Reports submitted to the Office of Personnel Management (OPM) and a summary of Retirement and Insurance Transfer System (RITS) submissions for September 2021 and the current fiscal year.</li> </ul> <p>For each program (retirement, health benefits, and life insurance):</p> <ul style="list-style-type: none"> <li>Select a total of three RITS submissions for September 2021 and the current fiscal year; the selection will include one with the September 2021 Semiannual Headcount Report, one with the March 2022 Semiannual Headcount Report, and a third between October 1, 2021, and August 31, 2022.</li> <li>Obtain payroll information for the periods covered by the RITS submissions selected.</li> </ul>	<p>Completed.</p> <p>Kearney selected pay periods 17-2021 and 04-2022, which coincided with the September 2021 and March 2022 Semiannual Headcount Reports, respectively. The third pay period selected was pay period 02-2022.</p>
<p><b>1.</b> 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><b>1.a.</b> Recalculate the mathematical accuracy of the payroll information.</p> <p><b>1.b.</b> Recalculate the mathematical accuracy of each RITS submission for the payroll information recalculated in procedure 1.a.</p> <p><b>1.c.</b> Compare the employee withholding information at the aggregate level for Retirement, Health Benefits, and Life Insurance (as adjusted for reconciling items) shown on the payroll information obtained in procedure 1.a. to the related amounts shown on the RITS submission for the corresponding period.</p> <p>Report any differences for each of the Retirement, Health Benefits, and Life Insurance (categories) for procedure 1.c. that are over 1 percent of the aggregate amount reported for each of the three categories. Obtain and document an explanation from a management official, including the official's name, telephone number, and an email address for the differences above the 1-</p>	<p>Completed.</p> <p>Completed.</p> <p>Completed.</p> <p>Completed. Kearney noted differences for pay period 04-2022 that exceeded the 1-percent threshold for the following categories:</p> <ul style="list-style-type: none"> <li>Life Insurance: 1.89 percent difference for total number of withholdings.</li> <li>Retirement: 2.68 percent difference for the total number of withholdings, 2.07 percent difference for the withholding amount, and 1.17 percent</li> </ul>

Procedures Agreed Upon	Findings/Comments
<p>percent threshold.</p>	<p>difference for the contribution amount.</p> <p>Additionally, Kearney noted differences for pay period 02-2022 that exceeded the 1-percent threshold for the following categories:</p> <ul style="list-style-type: none"> <li>• Life Insurance: 1.82 percent difference for the total number of withholdings.</li> <li>• Retirement: 2.76 percent difference for the total number of withholdings and 1.98 percent difference for the withholding amount.</li> </ul> <p>No differences that exceeded the 1-percent threshold were found for the Health Benefits category.</p> <p>Management did not provide an explanation for the differences identified.</p>
<p><b>2.</b> Perform detail testing of a random sample of transactions as follows:</p> <p><b>2.a.</b> 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"> <li>• Covered by the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS);</li> <li>• Enrolled in the Federal Employees Health Benefits Program;</li> <li>• Covered by Basic Life Insurance; and</li> <li>• Covered by at least one Federal Employees' Group Life Insurance (FEGLI) optional coverage (Option A, B, or C).</li> </ul> <p><b>2.b.</b> Obtain the following documents, either in electronic or hard-copy format, from the Official Personnel File (OPF) for everyone selected in procedure 2.a. Hard copies can be originals or certified copies.</p> <ul style="list-style-type: none"> <li>• All SF-50s, "Notification of Personnel Action," covering the pay periods in the RITS submissions chosen.</li> </ul>	<p>Completed.</p> <p>Completed.</p> <p>Completed.</p> <p>Completed.</p>

Procedures Agreed Upon	Findings/Comments
<ul style="list-style-type: none"> <li>SF-2809, “Health Benefits Election Form,” covering the pay periods in the RITS submissions chosen or, if applicable, obtain a report (through the agency personnel office) from the agency’s automated system that allows participants to change benefits (for example, Employee Express) for any Health Benefits transactions in that system for the individuals selected in procedure 2.a. (Note: A new SF-2809 is needed only if an employee is changing health benefit plans).</li> </ul>	Completed.
<ul style="list-style-type: none"> <li>For Health Benefits, compare date of the payroll transaction with the date on the certified copy of the SF-2809 or the agency’s automated system report obtained above to identify whether the health benefit information to be used in procedure 2.f. covers the pay periods in the RITS submissions chosen.</li> </ul>	Completed.
<ul style="list-style-type: none"> <li>SF-2817, “Life Insurance Election Form” covering the pay periods in the RITS submission chosen. (Note: A new SF-2817 is needed only if an employee is changing life insurance coverage.)</li> </ul>	Completed.
<p><b>2.c.</b> For each individual selected in procedure 2.a, compare the base salary used for payroll purposes and upon which withholdings and contributions generally are based to the base salary reflected on the employee’s SF-50. Report any differences resulting from this procedure and obtain management’s explanation for the differences.</p>	Completed. Kearney found no differences as a result of applying this procedure.
<p><b>2.d.</b> For Retirement for everyone selected in Procedure 2.a, compare the retirement plan code from the employee’s SF-50 to the plan code used in the payroll system. Report any differences resulting from this procedure and obtain management’s explanation for the differences.</p>	Completed. Kearney found no differences as a result of applying this procedure.
<p><b>2.e.</b> For each individual selected in procedure 2.a, calculate the retirement amount to be withheld and contributed for the plan code from the employee’s SF-50 by multiplying the base salary from the employee’s SF-50 by the official withholding and contribution rates required by law. Compare the calculated amounts to the actual amounts withheld and contributed for the retirement plan. Report any differences and obtain management’s</p>	Completed. Kearney found no differences as a result of applying this procedure.

Procedures Agreed Upon	Findings/Comments
<p>explanation for the differences.</p> <p><b>2.f.</b> For Health Benefits for each individual selected in procedure 2.a., compare the employee withholdings and agency contributions to the official subscription rates issued by OPM for the plan and option elected by the employee, as documented by an SF-2809 in the employee's OPF or automated system that allows the participant to change benefits (e.g., Employee Express). Report any differences resulting from this procedure and obtain management's explanation for the differences. The Health Benefits rates can be found on OPM's website at: <a href="https://www.opm.gov/healthcare-insurance/healthcare-plan-information/premiums/">https://www.opm.gov/healthcare-insurance/healthcare-plan-information/premiums/</a>.</p> <p><b>2.g.</b> For Life Insurance for everyone selected in procedure 2.a, confirm that Basic Life Insurance was elected by the employee by inspecting the SF-2817 documented in the employee's OPF. Report any differences resulting from this procedure and obtain management's explanation for the differences.</p> <p><b>2.h.</b> For everyone selected in procedure 2.a, calculate the withholding and agency contribution amounts for Basic Life Insurance using the following:</p> <ul style="list-style-type: none"> <li>• <u>For 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. The Life Insurance rates are on OPM's website at: <a href="https://www.opm.gov/healthcare-insurance/life-insurance/program-information/">https://www.opm.gov/healthcare-insurance/life-insurance/program-information/</a></li> <li>• <u>For agency contributions:</u> Divide the employee withholdings calculated above by two.</li> </ul> <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 procedure and obtain management's explanation for the differences.</p>	<p>Completed. Kearney found no differences as a result of applying this procedure.</p> <p>Completed. Kearney found no differences as a result of applying this procedure.</p> <p>Completed.</p> <p>Completed.</p> <p>Completed.</p> <p>Completed. Kearney identified differences for 4 of 25 employees as a result of applying this procedure. For employee withholdings, Kearney found a total difference of \$10.00 for the four employees. For agency contributions, Kearney found a total difference of \$4.00 for the four employees. Management did not provide an explanation for the differences.</p>

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<p><b>2.i.</b> For Life Insurance for everyone selected in procedure 2.a, compare optional coverage elected as documented on the SF-2817 in the employee's OPF to the optional coverage documented in the payroll system. Report any differences resulting from this procedure and obtain management's explanation for the differences.</p>	<p>Completed. Kearney identified a difference for 1 of 25 employees as a result of applying this procedure. Specifically, one employee's FEGLI Optional election on the SF-50 did not agree with the FEGLI Optional election on the employee's SF-2817. Management did not provide an explanation for the difference.</p>
<p><b>2.j.</b> For everyone selected in procedure 2.a., calculate the withholding amounts for optional life insurance using the following methods. The optional life insurance rates are on OPM's website at <a href="https://www.opm.gov/healthcare-insurance/life-insurance/reference-materials/publications-forms/fegli-handbook/">https://www.opm.gov/healthcare-insurance/life-insurance/reference-materials/publications-forms/fegli-handbook/</a>.</p>	<p>Completed.</p>
<ul style="list-style-type: none"> <li>For Option A: Locate the employee's age group using the age groups provided for Option A in the FEGLI Program Handbook. The withholding amount to be used is the rate listed in the FEGLI Program Handbook for that age group. Compare the calculated amount to the amount withheld for Option A Life Insurance. Report any differences resulting from this procedure and obtain management's explanation for the differences.</li> </ul>	<p>Completed. Kearney found no differences in calculations as a result of applying this procedure.</p>
<ul style="list-style-type: none"> <li>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 Handbook. Round the employee's annual rate of basic pay up to the next 1,000, divide it by 1,000, and then multiply it by the rate for the respective age group. Multiply this amount by the number of multiples chosen for Option B Life Insurance. Compare the calculated amount to the amount withheld for Option B Life Insurance. Report any differences resulting from this procedure and obtain management's explanation for the differences.</li> </ul>	<p>Completed. Kearney identified differences for 4 of 25 employees as a result of applying this procedure. Specifically, for these employees, the recalculated additional FEGLI withholding amount based on the optional coverage elected by the employees on the SF-2817 did not agree with the withheld amount on the employees' earnings and leave statements. Management did not provide an explanation for the differences.</p>
<ul style="list-style-type: none"> <li>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 Handbook. Multiply the rate for the age group by the number of multiples selected for Option C Life Insurance. Compare the calculated amount to the</li> </ul>	<p>Completed. Kearney found no differences as a result of applying this procedure.</p>



Procedures Agreed Upon	Findings/Comments
<p>amount withheld for Option C Life Insurance. Report any differences resulting from this procedure and obtain management's explanation for the differences.</p>	
<p><b>3.</b> 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><b>3.a.</b> 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 system for the individuals selected. Hard copies can be originals or certified copies. Inspect the documentation (i.e., the SF-2809 or the agency's system-generated report) to identify whether health benefits coverage was not elected. This can be identified in the following ways:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• 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</li> <li>• 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.</li> </ul> <p><b>3.b.</b> Compare the results in procedure 3.a. to the RITS submissions. Report any differences resulting from this procedure and obtain management's explanation for the differences.</p>	<p>Completed.</p> <p>Completed.</p> <p>Completed. Kearney found no differences as a result of applying this procedure.</p>

Procedures Agreed Upon	Findings/Comments
<p><b>4.</b> Randomly select 10 employees who do not have Life Insurance withholdings from the payroll information corresponding to the three RITS submissions selected above and perform the following for each employee selected:</p> <p><b>4.a.</b> Obtain the SF-2817s covering the pay periods in the RITS submissions selected, either in electronic or hard-copy format, from the selected employee's OPF. Hard copies can be originals or certified copies. Inspect the SF-2817 to identify whether the employee waived or cancelled Basic Life Insurance coverage.</p> <p><b>4.b.</b> Compare the result in procedure 4.a. to the RITS submissions. Report any differences resulting from this procedure and obtain management's explanation for the differences.</p>	<p>Completed.</p> <p>Completed. No SF-2817 was received for 1 of 10 employees; thus, Kearney could not identify whether the employee waived or cancelled Basic Life Insurance coverage.</p> <p>Completed. No SF-2817 was received for 1 of 10 employees; thus, Kearney could not compare the employee's insurance selection to the RITS submission.</p>
<p><b>5.</b> Calculate the headcount reflected on the September 2021 and March 2022 Semiannual Headcount Report selected, by following the methods below:</p> <p><b>5.a.</b> Obtain existing payroll information (from procedure 1.a.) that supports each Supplemental Semiannual Headcount report. If existing payroll data are not available, obtain a payroll system query that summarizes detailed payroll data supporting each Supplemental Semiannual Headcount Report, as listed below:</p> <ul style="list-style-type: none"> <li>• Benefit Category (see Semiannual Headcount Report).</li> <li>• Dollar Amount of withholdings and contributions.</li> <li>• Number Enrolled (deductions made or no deductions).</li> <li>• Central Personnel Data File Code.</li> <li>• Aggregate Base Salary.</li> </ul> <p><b>5.b.</b> Recalculate the headcount reflected on each Semiannual Headcount Report. If an electronic file is not available, use the suggested method below to recalculate the headcount:</p> <ul style="list-style-type: none"> <li>• Estimate the number of employees per payroll register page by counting the employees listed on several pages.</li> <li>• Count the number of pages in the payroll register.</li> <li>• 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.</li> </ul>	<p>Completed.</p> <p>Completed.</p> <p>Completed.</p>

Procedures Agreed Upon	Findings/Comments
<p><b>5.c.</b> Compare the payroll information obtained in procedure 5.a. and the calculated headcount from procedure 5.b. to the information shown on each respective Semiannual Headcount Report. Report any differences (for example, gross rather than net) greater than 2 percent. Obtain a management official name, telephone number, an email address, and an explanation for the differences.</p>	<p>Completed. Kearney noted a difference that exceeded the 2-percent threshold. Specifically, when comparing the payroll information in procedure 5.a. to the results in procedure 5.b., Kearney noted a difference of 2.24 percent for the total headcount reported on the RITS submission compared to the payroll register for pay period 04-2022. Management did not provide an explanation for the difference.</p>
<p><b>6.</b> Calculate employer and employee contributions for Retirement, Health Benefits, and Basic Life Insurance as described below:</p> <p><b>6.a.</b> Calculate employer and employee contributions for the three pay periods selected in procedure 1.a. as described below:</p> <ul style="list-style-type: none"> <li>i. Multiply the CSRS and FERS payroll base by the withholding and employer contribution rates required by law.</li> <li>ii. Compare the calculated totals from procedure 6.a.i. to the related amounts shown on the RITS submissions. Report any differences (e.g., gross rather than net) between the calculated amounts and the amounts reported on the RITS submissions that are greater than 5 percent of the amounts on the RITS submission and obtain management's explanation for the differences.</li> </ul> <p><b>6.b.</b> Calculate employee withholdings and employer contributions for Health Benefits for the three pay periods selected in procedure 1.a. as follows:</p> <ul style="list-style-type: none"> <li>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.</li> <li>ii. Sum the totals in procedure 6.b.i. and compare the result with the Health Benefit withholding and contribution</li> </ul>	<p>Completed.</p> <p>Completed.</p> <p>Completed.</p> <p>Completed. When comparing the results in procedure 6.a.i. with the retirement amounts reported on the RITS submission for pay periods 17-2021, 02-2022, and 04-2022, Kearney found no differences that exceeded the 5-percent threshold.</p> <p>Completed.</p> <p>Completed.</p> <p>Completed. Differences did not exceed the 5-percent</p>

Procedures Agreed Upon	Findings/Comments
<p>amounts shown on the RITS submissions. Report any differences (i.e., gross rather than net) between the calculated amounts and the amounts reported on the RITS submissions that are greater than 5 percent of the amounts on the RITS submission and obtain management's explanation of differences.</p> <p><b>6.c.</b> Calculate the Basic Life Insurance employee withholdings and employer contributions for the three pay periods selected in procedure 1.a., as follows:</p> <ul style="list-style-type: none"> <li>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.</li> <li>ii. For employee withholdings: Add the product of 2,500 times the number of employees with Basic Life Insurance coverage from procedure 6.c.i. above to the aggregate annual basic pay for all employees with Basic Life Insurance from procedure 6.c.i. above to calculate the estimated total Basic Life Insurance coverage. Divide this calculated total by 1,000 and multiply it by the withholding rate required by law. The Basic Life Insurance withholding rates are in the FEGLI Program Handbook on OPM's website.</li> <li>iii. Compare the results in procedure 6.c.ii. to the withholdings for Basic Life Insurance coverage reported on the RITS submission. Report any difference (e.g., gross rather than net) between the estimate and the amount of withholdings reported on the RITS submission greater than 5 percent of the amounts on the RITS submission, and obtain management's explanation for the difference.</li> <li>iv. For agency contributions: Divide the results of procedure 6.c.ii. by two—this approximates agency contributions, which are one half of employee withholdings. Compare this result to the amount reported on the RITS submission. Report any differences (e.g., 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 for the differences.</li> </ul>	<p>threshold.</p> <p>Completed.</p> <p>Completed.</p> <p>Completed.</p> <p>Completed. Differences did not exceed the 5-percent threshold.</p> <p>Completed. Kearney noted differences that exceeded the 5-percent threshold. Specifically, Kearney noted the following differences in agency contributions for Basic Life Insurance for the following pay periods when comparing the contributions to the RITS submissions:</p> <ul style="list-style-type: none"> <li>• 04-2022 – 5.75 percent</li> </ul>

Procedures Agreed Upon	Findings/Comments
<p><b>6.d.</b> 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 procedure 1 on page 1. In addition to the information used for procedure 1, the reports should include the employee's date of birth, annual rate of basic pay, and number of multiples selected for Option B and C. (Note: Although similar to procedure 2.j., the calculation for this procedure is for the entire amount reported on the RITS submissions for the three pay periods selected, as opposed to the sample of 25 employees in procedure 2.j.)</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 Handbook.</p> <p>ii. Compare the result in procedure 6.d.i. to the amounts for Option A reported on the RITS submissions. Report any differences (e.g., gross rather than net) greater than 2 percent of the amounts on the RITS submission and obtain management's explanation for the differences.</p>	<ul style="list-style-type: none"> <li>02-2022 – 5.85 percent.</li> </ul> <p>Management did not provide an explanation for the differences.</p> <p>Completed.</p> <p>Completed.</p> <p>Completed.</p> <p>Kearney noted differences that exceeded the 2-percent threshold. Specifically, Kearney noted the following differences in withholdings for Option A Life Insurance for the following pay periods when comparing the withholdings to the RITS submissions:</p> <ul style="list-style-type: none"> <li>04-2022 – 4.97 percent</li> <li>02-2022 – 5.88 percent.</li> </ul> <p>Management did not provide an explanation for the differences.</p>

