



United States Department of Agriculture



OFFICE OF INSPECTOR GENERAL

Agreed-Upon Procedures: Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the Office of Personnel Management

Audit Report 11401-0004-31

OIG performed Agreed-Upon Procedures for assessing information reported by USDA's NFC.

OBJECTIVE

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.

REVIEWED

We performed agreed-upon audit procedures as required on Federal employee benefits enrollment information as of August 31, 2019. Our review included information submitted from the Departments of Agriculture, Commerce, Homeland Security, Housing and Urban Development, Justice, Labor, and Treasury, as well as the Agency for International Development, and the Small Business Administration.

RECOMMENDS

We do not make any recommendations in this report.

WHAT OIG FOUND

The Department of Agriculture's (USDA) National Finance Center (NFC) reports Federal employee benefits and enrollment information to the Office of Personnel Management (OPM). Reported information includes headcounts, as well as withholdings and contributions for retirement, health benefits, and life insurance.

In applying agreed-upon audit procedures, the Office of Inspector General (OIG) identified differences through calculations, analyses, and comparisons. For example, we noted an employee (and/or annuitant) headcount that differed from NFC's by more than 2 percent. To address this difference, NFC is planning to take corrective actions with the goal of having the corrections in place by the March 2020 Semiannual Headcount Report. We also identified differences greater than 5 percent between our calculated amounts and the amounts NFC reported on the Retirement and Insurance Transfer System. NFC provided reasons for the differences we identified.

Our sample document review found a total of 59 differences for benefits entered into the system by agency personnel officers. Furthermore, we were unable to verify all sampled entries because agency personnel officers were unable to locate the documents covering all of the pay periods selected.



United States Department of Agriculture
Office of Inspector General
Washington, D.C. 20250



DATE: September 27, 2019

The Honorable Norbert Vint
Acting Inspector General
U.S. Office of Personnel Management
Office of Inspector General
Theodore Roosevelt Federal Building
1900 E Street, NW.
Washington, D.C. 20415-0001

SUBJECT: Agreed-Upon Procedures: Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the Office of Personnel Management FY 2019

Dear Mr. Vint:

This report presents the results of the Agreed-Upon Procedures performed on the subject information processed by the Department of Agriculture's Office of the Chief Financial Officer/National Finance Center as of August 31, 2019.

Our review included information for the following agencies (listed in Appendix A of the Office of Management and Budget (OMB) Bulletin 19-01, *Audit Requirements for Federal Financial Statements*, dated October 04, 2018): Department of Agriculture, Department of Commerce, Department of Homeland Security, Department of Housing and Urban Development, Department of Justice, Department of Labor, Department of the Treasury, Agency for International Development, and Small Business Administration.

This review was performed as required by OMB and in accordance with applicable generally accepted government auditing standards and the *Statements of Standards for Attestation Engagements*, established by the American Institute of Certified Public Accountants.

If you have any questions, please contact me at (202) 720-6945, or have a member of your staff contact Larry Ellis, Assistant Director, at (816) 926-7922.

Sincerely,

Gil H. Harden
Assistant Inspector General for Audit

cc:

Dennis D. Coleman, Chief Financial Officer, Office of Personnel Management

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Independent Auditor's Report

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

We have performed the procedures described in Exhibit A, which were agreed to by the Inspector General and Chief Financial Officer of the Office of Personnel Management (OPM), solely to assist OPM with respect to the employee withholdings and employer contributions reported by the Department of Agriculture's (USDA) Office of the Chief Financial Officer's (OCFO) National Finance Center (NFC) on the Standard Form 2812, *Report of Withholdings and Contributions for Health Benefits, Life Insurance and Retirement*, and OPM 1523, *Supplemental Semiannual Headcount Report*,¹ for the 12 months ended August 31, 2019. The reports submitted by NFC included information for the following agencies listed in Appendix A of the Office of Management and Budget (OMB) Bulletin 19-01, *Audit Requirements for Federal Financial Statements*: Department of Agriculture, Department of Commerce, Department of Homeland Security, Department of Housing and Urban Development, Department of Justice, Department of Labor, Department of the Treasury, the Agency for International Development, and the Small Business Administration.

The engagement to apply the Agreed-Upon Procedures was performed in accordance with applicable *Government Auditing Standards* and the statement of standards for attestation engagements established by the American Institute of Certified Public Accountants. The sufficiency of the 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 either for the purpose for which this report has been requested or for any other purpose. The results of the engagement are detailed in Exhibit A.

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 health benefits, life insurance, and retirement; and the headcount reports prepared by OCFO/NFC. Therefore, we do not express such an opinion. If we had performed additional procedures, other matters might have come to our attention that would have been reported to you.

¹ We selected our samples from pay period 17, 2018 (August 19, 2018 through September 1, 2018, paid September 10, 2018), pay period 25, 2018 (December 9, 2018 through December 22, 2018, paid December 31, 2018), and pay period 4, 2019 (February 17, 2019 through March 2, 2019, paid March 11, 2019). Pay period 17, 2018 and pay period 4, 2019 coincided with the OPM 1523 September 2018 and March 2019 *Supplemental Semiannual Headcount Reports*, respectively.

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



Gil H. Harden
Assistant Inspector General for Audit

September 27, 2019

Abbreviations

AUP.....	agreed-upon procedures
APP.....	agency payroll providers
CSRS.....	Civil Service Retirement System
DHS.....	Department of Homeland Security
DOC	Department of Commerce
DOJ	Department of Justice
DOL	Department of Labor
FEGLI.....	Federal Employees' Group Life Insurance
FEHB.....	Federal Employees Health Benefits
FERS.....	Federal Employees Retirement System
HUD	Department of Housing and Urban Development
NFC.....	National Finance Center
OCFO.....	Office of the Chief Financial Officer
OIG.....	Office of Inspector General
OMB.....	Office of Management and Budget
OPF.....	Official Personnel File
OPM.....	Office of Personnel Management
PACS.....	Payroll Accounting System
RITS.....	Retirement and Insurance Transfer System
SBA.....	Small Business Administration
SF.....	Standard Form
T&A	Time & Attendance
TREAS	Department of the Treasury
USAID	Agency for International Development
USDA.....	Department of Agriculture

Exhibit A: Procedures Performed and Results

1. Compare Retirement and Insurance Transfer System (RITS) submission data to the payroll information by performing the following procedures (Note: For cross-servicing agencies, if the internal controls are the same for all agencies serviced, it is only necessary to perform this procedure for one agency.):
 - 1.a. Recalculate the mathematical accuracy of the payroll information.
 - 1.b. Recalculate the mathematical accuracy of each RITS submission for the payroll information recalculated in Procedure 1.a.
 - 1.c. Compare the employee withholding information at the aggregate level for Retirement, Health Benefits, and Life Insurance (as adjusted for reconciling items) shown on the payroll information obtained in Procedure 1.a. to the related amounts shown on the RITS submission for the corresponding period.

Report any differences for each of the Retirement, Health Benefits, and Life Insurance (categories) for Procedure 1.c. that are over 1 percent of the aggregate amount reported for each of the three categories. Obtain and document an explanation from a management official, including the official's name, telephone number, and an email address for the differences above the 1 percent threshold.

Results:

We compared the RITS submission data to the payroll information and found one difference between the two greater than the 1 percent threshold. Specifically, we found the pay period 17, 2018, Family Option C aggregate amount had a difference of approximately 1.09 percent. NFC reported the difference was due to manual pay adjustments that had to be performed in pay period 17 to account for invalid life insurance coverage codes. Those codes were used when NFC ran two pay periods at the same time to pay employees after the Government furlough. NFC explained that, due to the Government furlough, NFC had to run pay period 26 and pay period 1 at the same time. The excessive amount of records being processed at one time caused the payroll system to drop some records. NFC identified those dropped records, made manual pay adjustments, and provided the information related to the manual entries to help OIG reconcile the difference.

2. Perform detail testing of a random sample of transactions as follows:
 - 2.a. Randomly select 25 individuals who were in the payroll system for all three of the RITS submissions, selected above, that meet these criteria:
 - covered by the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS);
 - enrolled in the Federal Employees Health Benefits Program;
 - covered by Basic Life Insurance; and
 - covered by at least one Federal Employees' Group Life Insurance (FEGLI) optional coverage

Exhibit A: Procedures Performed and Results

(Option A, B, or C).**2.b.** Obtain the following documents, either in electronic or hard copy format, from the Official Personnel File (OPF) for each individual selected in Procedure 2.a. Hard copies can be originals or certified copies.

- Standard Form-50 (SF-50), “All Notifications of Personnel Actions,” covering the pay periods in the RITS submissions chosen;
- SF-2809, “The Health Benefits Election Form,” covering the pay periods in the RITS submissions chosen or, if applicable, obtain a report (through the agency personnel office) from the agency’s automated system that allows participants to change benefits (for example, Employee Express), for any Health Benefits transactions in that system for the individuals selected in Procedure 2.a. (note: a new SF-2809 is needed only if an employee is changing health benefit plans); and
 - For Health Benefits, compare date of the payroll transaction with date on the certified copy of the SF-2809 or the agency’s automated system report, obtained above, to identify whether the health benefit information to be used in Procedure 2.f. covers the pay periods in the RITS submissions chosen.
- SF-2817, “The Life Insurance Election Form,” covering the pay periods in the RITS submission chosen (note: a new SF-2817 is needed only if an employee is changing life insurance coverage).

Results:

During our review of the 225 sampled employees (25 individuals per the 9 agencies selected) and 675 sampled pay periods (225 employees per 3 pay periods), the agency personnel officers were unable to provide complete sets of documents for 117 pay periods to support either the calculations for salary, retirement, health benefits, or life insurance.

2.c. For each individual selected in Procedure 2.a., compare the base salary used for payroll purposes and upon which withholdings and contributions generally are based to the base salary reflected on the employee’s SF-50. Report any differences resulting from this procedure and obtain management’s explanation for the differences.

We were unable to compare 68 of 675 base salaries, which included 2 from USDA, 3 from the U.S. Agency for International Development (USAID), 10 from the Department of Homeland Security (DHS), 11 from the Small Business Administration (SBA), and 42 from the Department of Commerce (DOC), because the agency personnel officers were unable to provide the SF-50 forms to support the base salaries reflected on the three RITS submissions. We did not identify any differences in our calculations for this procedure.

2.d. For Retirement for each individual selected in Procedure 2.a., compare the retirement plan code from the employee’s SF-50 to the plan code used in the payroll system. Report any

Exhibit A: Procedures Performed and Results

differences resulting from this procedure and obtain management's explanation for the differences.

Results:

We were unable to compare 68 retirement plan codes because the agency personnel officers were unable to provide the SF-50 forms that covered the three RITS submissions to confirm retirement plan codes, which included 2 from USDA, 3 from USAID, 10 from DHS, 11 from SBA, and 42 from DOC. Additionally, we found three differences in retirement plan codes related to SBA. We requested SBA management's explanation for the differences, but did not receive a response.

2.e. For each individual selected in Procedure 2.a., calculate the retirement amount to be withheld and contributed for the plan code from the employee's SF-50, by multiplying the base salary from the employee's SF-50 by the official withholding and contribution rates required by law. Compare the calculated amounts to the actual amounts withheld and contributed for the retirement plan. Report any differences and obtain management's explanation for the differences.

Results:

We were unable to compare 68 retirement plan codes because the agency personnel officers were unable to provide the SF-50 forms that covered three RITS submissions to confirm retirement plan codes, which included 2 from USDA, 3 from USAID, 10 from DHS, 11 from SBA, and 42 from DOC. We found six differences for either the employee's retirement deduction or agency's contribution related to SBA. We requested SBA management's explanation for the differences, but we did not receive a response.

2.f. For Health Benefits for each individual selected in Procedure 2.a., compare the employee withholdings and agency contributions to the official subscription rates issued by OPM for the plan and option elected by the employee, as documented by an SF-2809 in the employee's OPF or automated system that allows the participant to change benefits (for example, Employee Express). Report any differences resulting from this procedure and obtain management's explanation for the differences. The Health Benefits rates can be found on OPM's website at <http://www.opm.gov/insure/health/rates/index.asp>.

Results:

We were unable to compare 52 employee withholdings and agency contributions for Health Insurance because the agency personnel officers were unable to provide the SF-2809 forms that covered the three RITS submissions, which included 3 from each of the following: USDA, the Department of Labor (DOL), SBA, and the Department of Housing and Urban Development (HUD); 9 each from both USAID and DHS; and 22 from DOC.

Exhibit A: Procedures Performed and Results

We also found six differences from DOL in either the employee withholdings or the agency contribution amounts for individual health benefits. We requested management's explanation for the differences. Agency personnel officers from DOL explained that the SF-2809 form the sample employee provided was the most up-to-date form. However, we noted that the form contained a Federal Employee Health Benefit (FEHB) code that did not match the one contained in the NFC submission.

2.g. For Life Insurance for each individual selected in Procedure 2.a., confirm that Basic Life Insurance was elected by the employee by inspecting the SF-2817 documented in the employee's OPF. Report any differences resulting from this procedure and obtain management's explanation for the differences.

Results:

We were unable to compare 37 elections because the agency personnel officers were unable to provide the SF-2817 forms that covered all three RITS submissions to confirm that the employee elected for Basic Life Insurance, which included 3 each from both HUD and SBA, 6 from DOL, 7 from DOC, and 9 each from both USAID and DHS.

There were no differences found for this procedure.

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

- For employee withholdings: Round the employee's annual base salary up to the nearest thousand dollars and add \$2,000. Divide this total by 1,000 and multiply by the rate required by law. The Life Insurance rates are on OPM's website at <http://www.opm.gov/insure/life/rates/index.asp>.
- For agency contributions: Divide the employee withholdings calculated above by two.

Compare the calculated employee withholdings and agency contributions to the actual amounts withheld and contributed for Basic Life Insurance. Report any differences resulting from this procedure and obtain management's explanation for the differences.

Results:

We found 18 differences in either the employee withholdings or the agency contribution amounts for individual Basic Life Insurance, which included 2 from USDA and 16 from DOC.

We requested explanations for the differences from USDA's and DOC's management, but did not receive a response from either.

Exhibit A: Procedures Performed and Results

2.i. For Life Insurance for each individual selected in Procedure 2.a., compare optional coverage elected as documented on the SF-2817 in the employee's OPF to the optional coverage documented in the payroll system. Report any differences resulting from this procedure and obtain management's explanation for the differences.

Results:

We could not compare 37 elections because the agency personnel officers were unable to provide the SF-2817 forms that covered all three RITS submissions to confirm that the employee elected for Optional coverage, including 3 each from both SBA and HUD, 6 from DOL, 7 from DOC, and 9 each from both USAID and DHS.

Additionally, we found three differences from SBA where the SF-2817 documentation provided by the agency personnel officers did not match the documented information in the payroll system for each RITS submission. We requested an explanation for the difference from SBA's management, but we did not receive a response.

2.j. For each individual selected in Procedure 2.a., calculate the withholding amounts for optional life insurance using the following methods:

- For Option A: Locate the employee's age group using the age groups provided for Option A in the FEGLI Program Booklet. <https://www.opm.gov/healthcare-insurance/life-insurance/reference-materials/federalbooklet.pdf>. The withholding amount to be used is the rate listed in the FEGLI Program Booklet for that age group. Compare the calculated amount to the amount withheld for Option A Life Insurance. Report any differences resulting from this procedure and obtain management's explanation for the differences.
- For Option B: Inspect the SF-2817 to obtain the number of multiples chosen for Option B. Locate the employee's age group using the age groups provided for Option B in the FEGLI Program Booklet. Round the employee's annual rate of basic pay up to the next 1,000, divide it by 1,000, and then multiply it by the rate for the respective age group. Multiply this amount by the number of multiples chosen for Option B Life Insurance. Compare the calculated amount to the amount withheld for Option B Life Insurance. Report any differences resulting from this procedure and obtain management's explanation for the differences.
- For Option C: Inspect the SF-2817 to obtain the number of multiples chosen for Option C. Locate the employee's age group using the age groups provided for Option C in the FEGLI Program Booklet. Multiply the rate for the age group by the number of multiples selected for Option C Life Insurance. Compare the calculated amount to the amount withheld for Option C Life Insurance. Report any differences resulting from this procedure and obtain management's explanation for the differences.

Exhibit A: Procedures Performed and Results

Results:

For the 225 employees selected (25 individuals per agency and 9 agencies selected), we calculated the withholding amounts for Option A, Option B, and Option C and compared these totals to the amounts withheld from the payroll system. In total, we reviewed 675 calculations for Option A (225 employees times three pay periods), 675 for Option B, and 675 for Option C, for a total of 2,025 calculations.

However, we were unable to recalculate the withholdings in 74 instances, because the agency personnel officers were unable to provide us with documentation showing elected coverage. Our recalculations did not match NFC's calculations in 23 instances.

We found no exceptions for Option A.

For Option B, we were not able to test 37 elections due to missing SF-2817 forms. Agency personnel officers were unable to provide the SF-2817 forms that covered each RITS submission, including 3 each from both SBA and HUD, 6 from DOL, 7 from DOC, and 9 each from both USAID and DHS.

We found 16 differences for Option B in which the information on the SF-2817 form did not match the NFC RITS submission, including 3 from SBA, 4 from the Department of the Treasury (TREAS), and 9 from DOC.

According to TREAS agency personnel officers, one employee was only paid for 8 hours, but the officials said “just because she elected particular deductions, those deductions can only be made if she has enough gross salary.” For pay period 04, 2019, she only had a gross salary of \$498. Therefore, in NFC's system, the deduction was \$0, because she did not have enough gross salary. Since we are counting the differences by pay period, this explanation covers one difference for TREAS.

In addition, for another employee, TREAS officials responded that erroneous coverage was in effect for at least 2 years, covering all three pay periods, and all applicable premiums for the erroneous coverage were paid while the coverage was in effect. Since the employee or the agency personnel officers had not noticed the erroneous coverage for at least 2 years and all other conditions mentioned in the incontestability provisions were met, the coverage code became valid. The agency officials informed us that they will be contacting the employee for this issue. Since we are counting the differences by pay period, this explanation covers the other three differences for TREAS.

We requested an explanation from DOC's and SBA's management for the respective differences, but did not receive a response from either.

Exhibit A: Procedures Performed and Results

For Option C, we were not able to test the data for 37 elections due to missing SF-2817 forms. Agency personnel officers were unable to provide the SF-2817 forms that covered each RITS submission, including 3 each from both SBA and HUD, 6 from DOL, 7 from DOC, and 9 each from both USAID and DHS.

We found 7 differences for Option C where the SF-2817 provided did not match the documented information in the payroll system for each RITS submission, including 1 from USDA, 3 from TREAS, and 3 from SBA.

TREAS personnel officials responded that for one employee, erroneous coverage was in effect for at least 2 years, covering all three pay periods, and all applicable premiums for the erroneous coverage were paid while it was in effect. Since we are counting the differences by pay period, this explanation covers the three differences for TREAS.

We requested an explanation from USDA's and SBA's management for the respective differences, but did not receive a response from either.

3. Randomly select a total of 10 employees who do not have health benefits withholdings from the payroll information corresponding to the three RITS submissions selected above and perform the following for each employee selected.

3.a. Obtain SF-2809 forms covering the pay periods in the RITS submissions chosen, either in electronic or hard copy format, from the selected employee's OPF or, if applicable, obtain a report (through the agency personnel office) from the agency's automated system that allows participants to change benefits (for example, Employee Express), for any Health Benefit transactions in that system for the individuals selected. Hard copies can be originals or certified copies. Inspect the documentation (that is, the SF-2809 or the agency's system-generated report) to identify whether health benefits coverage was not elected. This can be identified in the following ways.

- An absence of an SF-2809 in the OPF and no election of coverage made through the agency's automated system that allows participants to change benefits (for example, Employee Express); or
- An SF-2809 in the OPF with Section E checked (indicating cancellation of coverage) and no later election of coverage through the agency's automated system that allows participants to change benefits (for example, Employee Express); or
- Cancellation of coverage through the agency's automated system that allows participants to change benefits (for example, Employee Express) and no later election of coverage with an SF-2809.

3.b. Compare the result in Procedure 3.a. to the RITS submissions. Report any differences resulting from this procedure and obtain management's explanation for the differences.

Exhibit A: Procedures Performed and Results

Results:

Agency personnel officers were unable to provide the SF-2809 forms for 12 pay periods (4 samples per 3 pay periods) that were needed to determine whether the employee waived or cancelled basic Health Insurance coverage, which included 3 each from both USAID and HUD, and 6 from DOC.

There were no differences found for this procedure.

4. Randomly select 10 employees who do not have Life Insurance withholdings from the payroll information corresponding to the three RITS submissions selected above and perform the following for each employee selected.
 - 4.a. Obtain the SF-2817s covering the pay periods in the RITS submissions selected, either in electronic or hard copy format, from the selected employee's OPF. Hard copies can be originals or certified copies. Inspect the SF-2817 to identify whether the employee waived or cancelled Basic Life Insurance coverage.
 - 4.b. Compare the result in Procedure 4.a. to the RITS submissions. Report any differences resulting from this procedure and obtain management's explanation for the differences.

Results:

Agency personnel officers were unable to provide the SF-2817 forms for 21 pay periods (7 samples per 3 pay periods) that identified whether the employee waived or cancelled Basic Life Insurance coverage. Of the 21 pay periods, 3 each were from both USDA and DOC, 6 were from USAID, and 9 were from SBA.

There were no differences found for this procedure.

5. Calculate the headcount reflected on the September 2018 and March 2019 Semiannual Headcount Reports selected, by following the methods below.
 - 5.a. Obtain existing payroll information (from Procedure 1.a.) that supports each Supplemental Semiannual Headcount report. If existing payroll data are not available, obtain a payroll system query that summarizes detailed payroll data supporting each Supplemental Semiannual Headcount Report, as listed below:
 - Benefit Category (see *Semiannual Headcount Report*);
 - Dollar Amount of Withholdings and Contributions;
 - Number Enrolled (deductions made or no deductions);
 - Central Personnel Data File Code; and
 - Aggregate Base Salary.

Exhibit A: Procedures Performed and Results

5.b. Recalculate the headcount reflected on each *Semiannual Headcount Report*. If an electronic file is not available, use the suggested method below to recalculate the headcount:

- (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 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 two percent. Obtain a management official name, telephone number, an email address, and an explanation for the differences.

Results:

We noted the headcounts of employees (and/or annuitants) that differed by more than 2 percent from that reported by NFC on the Supplemental Semiannual Headcount Report (OPM 1523) for Life Insurance, Health Benefits, and Retirement.

For pay period 17, 2018, we noted differences greater than 2 percent in the headcounts in Basic, Option A, and Option B Life Insurance with the “No Deduction” count for the following agencies:

- Basic Life Insurance—USDA, USAID, DOC, and DOL;
- Standard Option A Life Insurance—DOC;
- Option B Life Insurance “40-44” category—USDA;
- Option B Life Insurance “50-54” category—DOL; and
- Option B Life Insurance “60 & up” category—DHS.

For these differences, NFC responded:

- Basic Life Insurance—differences in No Deduction count for USDA, USAID, and DOC were due to late Time and Attendance (T&A) processing in the same pay period as live T&As. NFC counts those twice. Difference in No Deduction count for DOL—NFC only counted the employee with a split T&A once and OIG counted twice.
- Standard Option A—“difference in No Deduction count for DOC was due to late T&A processed in the same pay period as live T&A so NFC counted twice.”

Exhibit A: Procedures Performed and Results

- Additional Option B—NFC was unsure why its count was different from OIG’s.
- Additional Option B —“difference in No Deduction count for DHS in the “60 & up” category was due to late T&A processed in the same pay period as live T&A so NFC counted twice.”
- In situations where NFC’s differences in numbers for “any other life insurance” were more than OIG’s, NFC attributed the difference to “NFC counting both late T&As processed with live T&As and OIG only counting the live.” In contrast, “if the NFC number is less than OIG, then that is [attributed to] NFC...counting a split T&A once and OIG...counting [it] twice.”

For pay period 17, 2018, we noted differences greater than 2 percent in the headcounts for health benefits for “Payer of Full Premiums” for USDA. NFC responded, “... [it] shows 6 employees because one of those had an NFC29 (manual payment assistance system) to pay for pay period 16 in pay period 17; OIG only counted this employee once.”

For pay period 17, 2018, we noted differences greater than 2 percent in the headcounts for CSRS, FERS, and total retirement, for the following agencies:

- CSRS Regular Withholdings for Offset Employee (Code C) with No Deduction count—DHS;
- CSRS Salary Offset—USDA, DOC, DOJ, DOL, DHS, SBA, and TREAS;
- FERS Regular Withholdings (Code K) with No Deduction count—USDA, USAID, and DOL;
- FERS Law Enforcement/Firefighters Withholdings (Codes M, O) with the Deduction count—DHS;
- FERS Law Enforcement/Firefighters Withholdings (Codes M, O) with the No Deduction count—DHS, SBA, and TREAS;
- FERS Salary Offsets—USDA, USAID, DOC, DOJ, DOL, DHS, HUD, SBA, and TREAS; and
- Total Retirement—DHS.

For these differences, NFC responded:

- CSRS—“No Deductions for Regular Withholdings for Offset Employees for DHS—NFC did not count the Type 9 FEHB bill and OIG did.”
- FERS—Regular Withholdings—No deduction—USDA, USAID, DOL— OIG count is correct, additional program change required from 2017 changes. Changes will be made for March 2020.
- FERS—Law Enforcement/Firefighters Withholdings—Deduction Made and No Deduction - Retirement Codes M and O counts are not added correctly. Changes have been identified.

For all departments:

Exhibit A: Procedures Performed and Results

- CSRS Salary Offsets: This is a previously reported issue in the Payroll Accounting System (PACS) reporting program only. The counts on the intermediate files are correct. The print program should be adding the salary offset employees to the salary offset counts instead of the military deposit employees to the salary offset. This change was targeted for March 2019 but due to the furlough, it was not made. It will be made for March 2020. Also, an additional issue was found where NFC is not adding to the counts for all CSRS retirement coverage codes (1 and 4 are missing) so NFC will make that change for March 2020 as well to include all CSRS retirement coverage codes.
- FERS Salary Offset: NFC responded, “This is a previously reported issue in the PACS reporting program only. The counts on the intermediate files are correct. The print program should not be including the military deposit amounts in the Salary offset counts.”

For pay period 04, 2019, we noted differences greater than 2 percent in the headcounts in Basic, Option B, and Option C Life Insurance with the “No Deduction” count for the following agencies:

- Basic Life Insurance—USAID;
- Option B Life Insurance “To Age 35” category—TREAS;
- Option B Life Insurance “35-39” category—DHS;
- Option B Life Insurance “40-44” category—USDA and DOJ;
- Option B Life Insurance “45-49” category—DOJ;
- Option B Life Insurance “50-54” category—DHS;
- Option B Life Insurance “55-59” category—DOC;
- Option B Life Insurance “60 & up” category—DHS; and
- Option C Life Insurance—DOC.

NFC’s response was that the differences listed above for this pay period were the same as for pay period 17, 2018. NFC explained, for late T&As, it counts both the late and the live T&As; OIG only counts the live where the NFC number is more than the OIG [numbers]. If the NFC number is less than the OIG number, it is because NFC is counting a split T&A once and OIG is counting it twice.

For pay period 04, 2019, we noted differences greater than 2 percent in the headcounts for health benefits for “Payer of Full Premiums” for DOC. NFC responded, “OIG does not count NFC29s paid in the same pay period as the live.”

- For pay period 04, 2019, we noted differences greater than 2 percent in the headcounts for CSRS, FERS, and Total Retirement for the following agencies: CSRS Salary Offset—for USDA, USAID, DOC, DOJ, DOL, DHS, HUD, SBA, and TREAS;

Exhibit A: Procedures Performed and Results

- FERS Regular Withholdings (Code K) with No Deduction count—for USAID, DOL, and SBA;
- FERS Law Enforcement/Firefighters Withholdings (Codes M, O) with the Deduction count—for DHS;
- FERS Law Enforcement/Firefighters Withholdings (Codes M, O) with the No Deduction count—for DHS;
- FERS Salary Offsets—for USDA, USAID, DOC, DOJ, DOL, DHS, HUD, SBA, and TREAS; and
- Total Retirement—for DHS.

For these differences, NFC officials responded:

- FERS—Regular Withholdings—No deduction—OIG count is correct, additional program change is required from 2017 changes. NFC plans to implement changes by March 2020.
- FERS —Law Enforcement/Firefighters Withholdings—Deduction Made and No Deduction - Retirement Codes M and O counts are not added correctly. Changes have been identified.

For all departments:

- CSRS Salary Offsets: This is a previously reported issue in the PACS reporting program only. The counts on the intermediate files are correct. The print program should be adding the salary offset employees to the salary offset counts not the military deposit employees to the salary offset. This change was targeted for March 2019, but due to the furlough it was not made. It will be made for March 2020. Also, an additional issue was found where NFC is not adding to the counts for all CSRS retirement coverage codes (1 and 4 are missing) so NFC will make that change for March 2020 and include all CSRS retirement coverage codes.
 - FERS Salary Offset: NFC responded, “This is a previously reported issue in the PACS reporting program only. The counts on the intermediate files are correct. The print program should not be including the military deposit amounts in the Salary offset counts.”
6. Calculate employer and employee contributions for Retirement, Health Benefits, and Basic Life Insurance, as described below:
- 6.a.** Calculate employer and employee contributions for the three pay periods selected in Procedure 1.a., as described below:
- i. Multiply the CSRS and FERS payroll base by the withholding and employer contribution rates required by law.

Exhibit A: Procedures Performed and Results

- ii. Compare the calculated totals from Procedure 6.a.i. to the related amounts shown on the RITS submissions. Report any differences (for example, gross rather than net) between the calculated amounts and the amounts reported on the RITS submissions that are greater than 5 percent of the amounts on the RITS submission, and obtain management's explanation for the differences.

Results:

We identified one instance in which our calculation of CSRS All Categories dollar subtotals for withholdings differed by more than 5 percent from the corresponding CSRS subtotals reported on the SF-2812 NFC submitted for SBA for pay period 04. NFC officials stated, "NFC has identified an issue with the extract where all the values in the RT-CSRS-OFF field are positive instead of those attached to the credit side of a corrected T&A being negative. Extract program will be modified for next year." NFC also stated that there was an issue with the data extract, but the reporting to OPM was correct.

We identified an instance in which our calculation of CSRS- Military & Civilian Service Credit for withholdings differed by more than 5 percent from the corresponding subtotals reported on the SF-2812 NFC submitted for DOL for pay period 17. NFC personnel stated this occurred because OIG's calculation did not recognize one person who met NFC's criteria used in its calculation.

We identified instances where our calculation of CSRS-Salary Offset-Reemployed Annuitants and 'FERS-Military Deposits were different by more than 5 percent from the corresponding subtotals reported on the SF-2812 submitted by NFC, for the following pay period and agencies:

- Pay period 04-2019 for USDA, DOC, DOJ, TREAS, DOL, DHS, and SBA;
- Pay period 17-2018 for USDA, DOC, DOJ, TREAS, DOL, DHS, and SBA (CSRS-Salary Offset only); and
- Pay period 25-2018 for USDA, DOC, DOJ, TREAS, DOL (CSRS-Salary Offset only), DHS, and SBA (CSRS-Salary Offset only).

NFC personnel provided their reasons for the differences. They stated that the difference for the CSRS—Salary Offset—Reemployed annuitants was caused by a missing parameter in the calculation that should have summed the Reemployed annuitants' amounts to their base pay. Also, for FERS—Military Deposits, NFC stated that OIG was missing a negative adjustment in the calculation for one SBA employee. NFC officials explained that part of the reason for these errors was explained in the AUP5 response in which NFC reported issues with the PACS reporting program. NFC explained that the issue is scheduled to be addressed in March 2020.

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

Exhibit A: Procedures Performed and Results

- i. Multiply the number of employees enrolled in each Health Benefits plan and plan option by the employee withholdings and employer contributions for the plan and option.
- ii. Sum the totals in Procedure 6.b.i. and compare the result with the Health Benefit withholding and contribution amounts shown on the RITS submissions. Report any differences (i.e., gross rather than net) between the calculated amounts and the amounts reported on the RITS submissions that are greater than 5 percent of the amounts on the RITS submission, and obtain management's explanation for the differences.

Results:

There were no differences greater than 5 percent.

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

- i. Obtain a payroll system query from APP personnel to obtain the total number of employees with Basic Life Insurance coverage and the aggregate annual basic pay for all employees with Basic Life Insurance.
- ii. For employee withholdings: Add the product of 2,500 times the number of employees with Basic Life Insurance coverage from Procedure 6.c.i above to the aggregate annual basic pay for all employees with Basic Life Insurance from Procedure 6.c.i above to calculate the estimated total Basic Life Insurance coverage. Divide this calculated total by 1,000 and multiply it by the withholding rate required by law. The Basic Life Insurance withholding rates are in the FEGLI Program Booklet on OPM's website.
- iii. Compare the result in Procedure 6.c.ii. to the withholdings for Basic Life Insurance coverage reported on the RITS submission. Report any difference (for example, gross rather than net) between the estimate and the amount of withholdings reported on the RITS submission greater than 5 percent of the amounts on the RITS submission, and obtain management's explanation for the difference.
- iv. For agency contributions: Divide the results of Procedure 6.c.ii. by two—this approximates agency contributions, which are one-half of employee withholdings. Compare this result to the amount reported on the RITS submission. Report any differences (for example, gross rather than net) between the estimated amount and the actual amount reported on the RITS submission that are greater than 5 percent of the amounts on the RITS submission, and obtain management's explanation for the differences.

Exhibit A: Procedures Performed and Results

Results:

There were no differences greater than 5 percent.

6.d. Calculate the Option A, Option B and Option C Basic Life Insurance coverage withholdings for the three pay periods selected by using the detail payroll reports used to reconcile the RITS reports in Procedure 1 on page 2. In addition to the information used for Procedure 1, the reports should include the employee's date of birth, annual rate of basic pay, and number of multiples selected for Option B and C. Note: While similar to Procedure 2.j., the calculation for this procedure is for the entire amount reported on the RITS submissions for the three pay periods selected, as opposed to the sample of 25 employees in Procedure 2.j.

- i. Multiply the number of employees in each age group by the appropriate rate for Option A in accordance with the rates for age groups provided in the FEGLI Program Booklet.
- ii. Compare the result in Procedure 6.d.i. to the amounts for Option A reported on the RITS submissions. Report any differences (for example, gross rather than net)

greater than 2 percent of the amounts on the RITS submission, and obtain management's explanation for the differences.

There were no differences greater than 2 percent.

- iii. Segregate the reports for Option B and Option C insurance into the age groups shown in the FEGLI Program Booklet. For Option B, round the employee's annual rate of basic pay up to the next 1,000, then divide it by 1,000, and then multiply this amount by the rate for the age group, then multiply this by the number of multiples:

(Annual rate of basic pay (rounded up) /1,000*rate*multiples).

For Option C, multiply the rate for the age group by the number of multiples chosen for each employee.

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

Results:

Exhibit A: Procedures Performed and Results

We identified an instance in which our calculation of Life Insurance, Additional, Option B, subtotals for withholdings differed by more than 2 percent from the corresponding Life Insurance subtotals reported on the SF-2812 NFC submitted for DHS for pay period 25-2018. NFC personnel explained that when two employees adjusted/changed their life insurance options, NFC did not include the credit portion of that amount in the computation when they manually processed the change.

We identified an instance in which our calculation of Life Insurance, Additional, Option C, subtotals for withholdings differed by more than 2 percent from the corresponding Life Insurance subtotals reported on the SF-2812 NFC submitted for TREAS for pay period 17, 2018. NFC personnel stated this occurred because “NFC29s on two employees moving monies from one coverage code to the other. NFC only included the credit portion of the 29 and not the debit. Additional research will be needed to determine why this is the case and if program changes are required, we will make those for March 2020.”

Exhibit A: Procedures Performed and Results

As noted in the Independent Auditors' Report, we performed procedures prescribed by OPM solely to assist OPM with respect to the employee withholdings and employer contributions reported by the USDA's OCFO/NFC. OPM sets the sampling methodology for each procedure described in each procedure in Exhibit A. The sufficiency of the procedures is solely the responsibility of the Inspector General and the Chief Financial Officer of OPM and will be applied to the 12 months ending on August 31 of each year. Consequently, we make no representation regarding the sufficiency of the procedures or the sampling design and methodology.

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