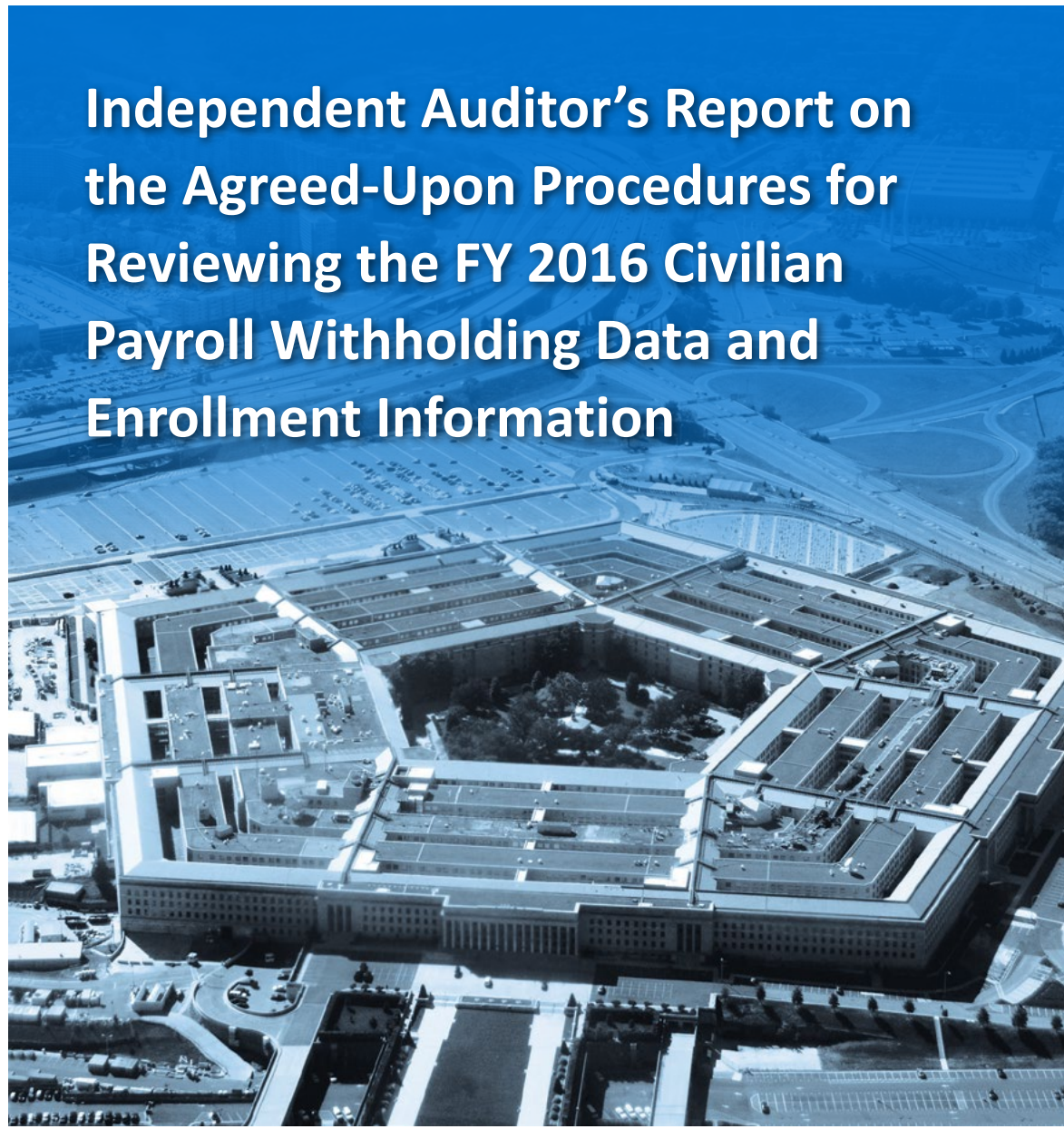




INSPECTOR GENERAL

U.S. Department of Defense

SEPTEMBER 19, 2016



Independent Auditor's Report on the Agreed-Upon Procedures for Reviewing the FY 2016 Civilian Payroll Withholding Data and Enrollment Information

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**INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500**

September 19, 2016

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)/CHIEF
FINANCIAL OFFICER, DOD
UNDER SECRETARY OF DEFENSE FOR PERSONNEL AND READINESS
ASSISTANT SECRETARY OF THE AIR FORCE
(FINANCIAL MANAGEMENT AND COMPTROLLER)
CHIEF, NATIONAL GUARD BUREAU
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
DIRECTOR, DEFENSE LOGISTICS AGENCY
NAVAL INSPECTOR GENERAL
AUDITOR GENERAL, DEPARTMENT OF THE ARMY
INSPECTOR GENERAL, DEPARTMENT OF ENERGY
INSPECTOR GENERAL, DEPARTMENT OF HEALTH AND
HUMAN SERVICES
INSPECTOR GENERAL, DEPARTMENT OF VETERANS AFFAIRS
INSPECTOR GENERAL, OFFICE OF PERSONNEL MANAGEMENT

SUBJECT: Independent Auditor's Report on the Agreed-Upon Procedures for Reviewing
the FY 2016 Civilian Payroll Withholding Data and Enrollment Information
(Report No. DODIG-2016-135)

We are providing this final report for your information and use.

We appreciate the courtesies extended to the staff. Please direct questions to me at
(703) 601-5945.

Lorin T. Venable

Lorin T. Venable, CPA
Assistant Inspector General
Financial Management and Reporting





**INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500**

September 19, 2016

The Honorable Norbert Vint
Acting Inspector General
U.S. Office of Personnel Management
Theodore Roosevelt Federal Building
1900 E Street NW, Room 6400
Washington, D.C. 20415-0001

Subject: Independent Auditor's Report on the Agreed-Upon Procedures for Reviewing the
FY 2016 Civilian Payroll Withholding Data and Enrollment Information
(Project No. D2016-D000FP-0096)

Dear Mr. Vint:

We performed the procedures described in the Enclosure. These procedures were agreed to by the Chief Financial Officer and the Inspector General (IG) of the U.S. Office of Personnel Management (OPM). We performed these procedures solely to assist in assessing the reasonableness of the employee withholdings and employer contributions that the Defense Finance and Accounting Service (DFAS) reported on Standard Form 2812, "Report of Withholdings and Contributions for Health Benefits, Life Insurance, and Retirement," for the pay periods ending August 22, 2015; September 5, 2015; February 6, 2016; February 20, 2016; and March 5, 2016. We also performed these procedures to assist in assessing the reasonableness of the amounts reported in "Supplemental Semiannual Headcount Report," as of September 2015 and March 2016. The reports submitted by DFAS included information for the following entities listed in Appendix A of the Office of Management and Budget, Bulletin No. 15-02, "Audit Requirements for Federal Financial Statements":

- Department of Defense (DoD),
- Department of Energy (DoE),
- Department of Health and Human Services (HHS), and
- Department of Veterans Affairs (VA).

In addition, we performed procedures to assist the OPM in identifying and correcting errors in processing and distributing Combined Federal Campaign (CFC) payroll deductions.

Using IDEA software, we randomly selected a sample of 315 out of 1.2 million employees from the February 6, 2016, pay period from 11 DFAS payroll data files.¹ We compared the sample of 315 employees' pay and withholdings and agency contributions in the Defense Civilian Pay System (DCPS) to the documentation in the Official Personnel Files (OPF). Of the 315 OPFs, 180 represented DoD employees, 45 represented DoE employees, 45 represented HHS employees, and 45 represented VA employees.

Auditors from the DoE and HHS Offices of Inspector General (OIG) performed the agreed-upon procedures (AUP) to review their agency OPFs. We reviewed their working papers and determined that we could rely on their work.

We performed the agreed-upon procedures in accordance with generally accepted Government auditing standards, which incorporate financial audit and attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the OPM Chief Financial Officer and the OPM IG. Consequently, we make no representation regarding the sufficiency of the procedures either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to express an opinion on whether the health benefits, life insurance, and retirement contributions and withholdings, or the enrollment information submitted by DFAS to OPM, were reasonable and accurate. Accordingly, we did not conduct an examination, nor did we express such an opinion. Had we performed additional procedures, other matters might have come to our attention that we would have reported to you. We provided a discussion draft of this report to the entities listed in the transmittal memorandum.

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

Sincerely,



Lorin T. Venable, CPA
Assistant Inspector General
Financial Management and Reporting

Enclosure:
As stated

¹ The 11 DFAS payroll data files we used were the Army, Navy, Air Force, Other Defense Organizations, Military Sealift Command, Overseas Army/DoD, Overseas DoD, Shipyard DoD, DoE, HHS, and VA.

Enclosure: Agreed-Upon Procedures Performed and Results

This section contains the Office of Personnel Management (OPM) Agreed-Upon Procedures and the results of completing those procedures.

Overall Procedure

For employee benefit withholdings and contributions, obtain the Agency Payroll Provider's (APP) September 2015 and March 2016 Semiannual Headcount Report submitted to the OPM and a summary of the Retirement and Insurance Transfer System (RITS) submissions for September 2015 and the current fiscal year. For each program (retirement, health, and life), select a total of three RITS submissions for September 2015 and the current FY 2016; two will coincide with the September 2015 and March 2016 Semiannual Headcount Reports.² Obtain payroll information for the periods covered by the RITS submissions selected.

For the Combined Federal Campaign (CFC) payroll deductions, obtain the following documentation for the Federal agencies serviced by the APP:

- a. A list of all field offices/duty stations in existence during the fall 2015 CFC solicitation period (September 1, 2015, through December 31, 2015) for each Federal agency serviced. The list must include the OPM Office Duty Station Code or the county, city, state and zip code for the field office.
- b. A list of all local CFC campaigns and the areas they cover. This list should be obtained directly from the OPM CFC by sending an e-mail request to cfc-compliance@opm.gov. The subject line of the e-mail should be "Payroll Office AUPs-2015 CFC Campaign Location List Request."
- c. A list of accounting codes used by the APP to identify each local CFC campaign. The list should include the accounting code, name of campaign, name of Principal Combined Fund Organization (PCFO) for that campaign, and address of PCFO.
- d. A report of all employees with CFC deductions as of the March 2016 Semiannual Headcount, pulled from the RITS submission. The report must include each employee's official duty station location and the APP's accounting code to identify the receiving campaign for each employee's CFC deductions.

Note: Hereinafter, the term payroll information refers to all payroll information, whether it is a payroll register, payroll data files, or other payroll support data.

² The September 2015 Semiannual Headcount Report consisted of the following two payroll periods: August 22, 2015, and September 5, 2015. The March 2016 Semiannual Headcount Report consisted of the following two payroll periods: February 20, 2016, and March 5, 2016. Therefore, to comply with the procedures, we needed to obtain the payroll information for two payroll periods for each Semiannual Headcount Report. In addition, we selected the February 6, 2016, payroll period for the third RITS submission. As a result, we reviewed a total of five payroll periods instead of the three suggested for this agreed-upon procedure.

Procedure 1.

Compare RITS submission data to the payroll information by performing the following procedures:³

Procedure 1.a.

Recalculate the mathematical accuracy of the payroll information.

Procedure 1.b.

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

Procedure 1.c.

Compare the employee withholding information at the aggregate level for Retirement, Health Benefits, and Life Insurance (as adjusted for reconciling items) obtained in step 1.a. to the related amounts shown on the RITS submission for the corresponding period.

Report any differences for each of the Retirement, Health Benefits, and Life Insurance (categories) for step 1.c. that are over 1 percent of the aggregate amount reported for each of the three categories. Obtain an explanation of the differences over 1 percent from the management official.

Results

We did not identify any differences over 1 percent for this comparison.

Procedure 2.

Perform detail testing of a random sample of transactions as follows:

Procedure 2.a.

Randomly select a total of 25 individuals who were in the payroll system for all three of the RITS submissions selected above that meet all the following criteria.

- Covered by the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS);
- Enrolled in the Federal Employees Health Benefit Program (FEHB);
- Covered by Basic Life Insurance; and
- Covered by at least one Federal Employees' Group Life Insurance (FEGLI) optional coverage (Option A, B, or C).

³ Note: For cross-servicing agencies, if the internal controls are the same for all agencies serviced, it is only necessary to perform this procedure for one agency.

Procedure 2.b.

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

- All Notifications of Personnel Actions (SF-50) covering the pay periods in the RITS submissions chosen.
- The Health Benefits Election Form (SF-2809) covering the pay periods in the RITS submissions chosen or, if applicable, obtain a report (via the agency personnel office) from the agency's automated system that allows participants to change benefits (e.g., Employee Express), for any Health Benefits transactions in that system for the individuals selected in step 2.a.⁴
- For Health Benefits, compare date of transaction with date on the certified copy of the SF-2809 or the agency's automated system report obtained above to identify whether the health benefit information to be used in step 2.f. covers the pay periods in the RITS submissions chosen.
- The Life Insurance Election Form (SF-2817) covering the pay periods in the RITS submission chosen.⁵

Results

Of the 175 OPFs reviewed, a total of 23 documents were incomplete, missing, or processed late. Under these categories, we identified 1 document for the Air Force, 2 documents from the Other Defense Organizations (ODO), and 10 documents from the Department of Veterans Affairs (VA). Department of Energy (DoE) and Department of Health and Human Services (HHS) auditors identified 6 and 4 documents respectively, for a total of 10 documents. See Table 1 for the number and type of documents that were incomplete, missing, or processed late, listed by organization.

⁴ Note: a new SF-2809 is needed only if an employee is changing health benefit plans; therefore, the form could be many years old.

⁵ Note: a new SF-2817 is needed only if an employee is changing life insurance coverage; therefore the form could be many years old.

Table 1. Number and Type of Documents That Were Incomplete, Missing, or Processed Late by Organization

Organization	SF-50		SF-2809	SF-2817		Total
	Missing	Processed Late	Missing	Incomplete	Missing	
Army/Army National Guard						0
Navy						0
Air Force/Air National Guard			1			1
ODO			1		1	2
DoE		1	4	1		6
HHS	1				3	4
VA	1		6		3	10
Total	2	1	12	1	7	23

Procedure 2.c.

For each individual selected in step 2.a., compare the base salary used for payroll purposes to the base salary reflected on the employee’s SF-50. Report any differences identified in this step and obtain management’s explanation for the differences.

Results

Auditors identified a total of three differences. We found one difference for the VA. This difference occurred because the SF-50 was missing. DoE OIG auditors identified one difference, and HHS OIG auditors identified one difference. The DoE difference occurred because the applicable SF-50 was processed late. The HHS difference occurred because the applicable SF-50 was missing.

Procedure 2.d.

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.

Results

We did not identify differences for this comparison.

Procedure 2.e.

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

Results

Auditors identified a total of three differences. We found one difference for the VA. This difference occurred because the SF-50 was missing. DoE OIG auditors identified one difference, and HHS OIG auditors identified one difference. The DoE difference occurred because the applicable SF-50 was processed late. The HHS difference occurred because the applicable SF-50 was missing.

Procedure 2.f.

For Health Benefits for each individual selected in step 2.a., compare the employee withholdings and agency contributions to the official subscription rates issued by OPM for the plan and option elected by the employee as documented by 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 the OPM's website at <http://www.opm.gov/insure/health/rates/index.asp>.

Results

Auditors identified a total of 12 differences. We found one difference for the Air Force, one difference for the ODO, and six differences for the VA. These differences occurred because the SF-2809s or equivalents were missing. DoE OIG auditors identified four differences. These differences occurred because the SF-2809s or equivalents were missing.

Procedure 2.g.

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

Results

HHS OIG auditors identified a total of two differences. These differences occurred because the applicable SF-2817s were missing.

Procedure 2.h.

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

- For employee withholdings, round the employee's annual base salary up to the nearest thousand dollars and add \$2,000. Divide this total by 1,000 and multiply by the rate required by law. 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 step and obtain management's explanation for the differences.

Results

Auditors identified a total of four differences. DoE OIG auditors identified one difference and HHS OIG auditors identified three differences. The DoE difference occurred because the applicable SF-50 was processed late. The HHS differences occurred because the applicable SF-2817s were missing.

Procedure 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.

Results

Auditors identified a total of seven differences. We found one difference for the ODO and three differences for the VA. These differences occurred because the SF-2817s were missing. HHS OIG auditors identified three differences. These differences occurred because the applicable SF-2817s were missing.

Procedure 2.j.

For each individual selected in step 2.a., calculate the withholding amounts for the life insurance options selected by the individual using the following:

- For Option A, locate the employee's age group using the age groups provided for Option A in the FEGLI Program Booklet. The withholding amount to be used is the rate listed in the FEGLI Program Booklet for that age group. Compare the calculated amount to the amount withheld for Option A Life Insurance. Report any differences resulting from this step and obtain management's explanation for the differences.

- For Option B, inspect the SF-2817 to obtain the number of multiples chosen for Option B. Locate the employee's age group using the age groups provided for Option B in the FEGLI Program Booklet. Round the employee's annual rate of basic pay up to the next 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 step and obtain management's explanation for the differences.
- For Option C, inspect the SF-2817 to obtain the number of multiples chosen for Option C. Locate the employee's age group using the age groups provided for Option C in the FEGLI Program Booklet. Multiply the rate for the age group by the number of multiples chosen for Option C Life Insurance. Compare the calculated amount to the amount withheld for Option C Life Insurance. Report any differences resulting from this step and obtain management's explanation for the differences.

Results

Auditors identified a total of eight differences. We found one difference for the ODO and three differences for the VA. These differences occurred because the SF-2817s were missing. DoE OIG auditors identified one difference, and HHS OIG auditors identified three differences. The DoE difference occurred because the applicable SF-50 was processed late. The HHS differences occurred because the applicable SF-2817s and an SF-50 were missing.

Procedure 3.

Randomly select a total of 10 employees who have no Health Benefits withholdings from the payroll information corresponding to the three RITS submissions selected above and perform the following for each employee selected.

Procedure 3.a.

Obtain SF-2809s covering the pay periods in the RITS submissions chosen from the selected employee's OPF or, if applicable, obtain a report (via the agency personnel office) from the agency's automated system for any Health Benefit transactions in that system for the individuals selected. The SF-2809s obtained may be in electronic or hard copy format. Hard copies can be originals or certified copies. Inspect the documentation, either 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:

- absence of an SF-2809 in the OPF and no election of coverage made through the agency's automated system; 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; or
- cancellation of coverage through the agency's automated system and no later election of coverage with an SF-2809.

Procedure 3.b.

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

Results

Of the 70 OPFs reviewed, we did not identify any differences for this comparison.

Procedure 4.

Randomly select a total of 10 employees who have no Life Insurance withholdings from the payroll information corresponding to the three RITS submissions selected above and perform the following for each employee selected.

Procedure 4.a.

Obtain the SF-2817s covering the pay periods in the RITS submissions chosen, either in electronic or hard copy format, from the selected employee's OPF. Hard copies can be originals or certified copies. Inspect the SF-2817 to identify that the employee waived or cancelled basic life insurance coverage.

Procedure 4.b.

Compare the result in step 4.a. to the RITS submissions. Report any differences resulting from this step and obtain management's explanation for the differences.

Results

Of the 70 OPFs reviewed, auditors identified a total of 6 differences. We found one difference for the Air National Guard, one difference for the ODO, and two differences for the VA. The difference for the Air National Guard was caused by a series of processing errors that resulted in inaccurate basic life insurance and optional coverage withholdings. The differences for the ODO and the VA were caused by missing SF-2817s. DoE OIG auditors identified one difference and HHS OIG auditors identified one difference. These differences occurred because the applicable SF-2817s were missing.

Procedure 5.

Calculate the headcount reflected on the September 2015 and March 2016 Semiannual Headcount Report selected, as follows.

Procedure 5.a.

Obtain existing payroll information (from step 1.a.) supporting each Supplemental Semiannual Headcount Report. If existing payroll data are not available, obtain a payroll system query that summarizes detailed payroll data supporting each Supplemental Semiannual Headcount Report, as follows:

- Benefit category (see Semiannual Headcount Report),
- Dollar amount of withholdings and contributions,
- Number enrolled (deductions made/no deductions),
- Central personnel data file code, and
- Aggregate base salary.

Procedure 5.b.

Recalculate the headcount reflected on each Semiannual Headcount Report. If an electronic file is not available, a suggested method of recalculating the headcount is as follows:

(1) estimate the number of employees per payroll register page by counting the employees listed on several pages, (2) count the number of pages in the payroll register, and (3) multiply the number of employees per page by the number of pages, or count (using a computer audit routine) the number of employees on the payroll data file for the period.

Procedure 5.c.

Compare the payroll information obtained in step 5.a. and the calculated headcount from step 5.b. to the information shown on each respective Semiannual Headcount Report.

Procedure 5.d.

Report any differences (i.e., gross rather than net) greater than 2 percent between the headcount reporting on each respective agency Semiannual Headcount Report and payroll information from step 5.a. and the calculated headcount from step 5.b. Refer to the management official for an explanation of the differences.

Results

Of the 22 Semiannual Headcount Reports reviewed, we identified 4 differences greater than 2 percent when we compared the Semiannual Headcount Reports to Defense Civilian Pay System (DCPS) data. We found two differences between employee headcount listed in the September Semiannual Headcount Report and the headcount listed in the DCPS. We identified one headcount difference of 2.22 percent in the ODO Payroll Office and one difference of 8.86 percent in the Overseas DoD Payroll Office. When we compared the total base salary, we

found one difference of 2.13 percent between the ODO Payroll Office September Semiannual Headcount Report and the DCPS data. Management at the Defense Finance and Accounting Service (DFAS) stated that these differences occurred for the following reasons:

- employees were not eligible for the CSRS and FERS retirement because they are under the Federal Insurance Contribution Act;
- employees had separations that did not process;
- employees were on leave without pay; and
- employees moved between two payroll offices prior to the data pull.

We found the remaining difference of 8.28 percent in the Overseas DoD Payroll Office between the employee headcount listed in the March Semiannual Headcount Report and the headcount listed in the DCPS data. DFAS personnel stated that this difference occurred because DFAS completed the processing of teacher retroactive settlements after the headcount report was created.

Procedure 6.

Calculate employer and employee contributions for Retirement, Health Benefits, and Life Insurance as follows:

Procedure 6.a.

Calculate employer and employee contributions for the three pay periods selected in step 1.a., as follows:

Procedure 6.a.i.

Multiply the CSRS and FERS payroll base by the withholding and employer contribution rates required by law.

Procedure 6.a.ii.

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

Results

We identified two differences greater than 5 percent for the CSRS comparison. The ODO Payroll Office had a 5.69-percent agency contribution difference for the pay period ending September 5, 2015. DFAS management stated that this difference occurred because it moved 1,300 employees between payroll offices prior to DFAS obtaining the data it provided us from DCPS. The Air Force Payroll Office had an 8.86-percent agency contribution difference for the same pay period ending September 5, 2015. DFAS management stated that this difference occurred because two employees had money moved from FERS to CSRS, and these amounts should not have been included in our calculations.

For the FERS, FERS Revised Annuity Employees, and FERS Further Revised Annuity Employees comparisons, we did not identify any differences greater than 5 percent.

Procedure 6.b.

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

Procedure 6.b.i.

Multiply the number of employees enrolled in each Health Benefits plan and plan option by the employee withholdings and employer contributions for the plan and option.

Procedure 6.b.ii.

Sum the totals in step 6.b.i. and compare the result with the Health Benefit withholding and contribution amounts shown on the RITS submissions. Report any differences (i.e., gross rather than net) between the calculated amounts and the amounts reported on the RITS submissions that are greater than 5 percent of the amounts on the RITS submission, and obtain management's explanation for the differences.

Results

We did not identify any differences greater than 5 percent for this comparison.

Procedure 6.c.

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

Procedure 6.c.i.

Obtain a payroll system query from APP personnel to obtain the total number of employees with Basic Life Insurance coverage and the aggregate annual basic pay for all employees with Basic Life Insurance.

Procedure 6.c.ii.

For employee withholdings: Add the product of 2,500 times the number of employees with Basic Life Insurance coverage from step 6.c.i. above to the aggregate annual basic pay for all employees with Basic Life Insurance from step 6.c.i. above to calculate the estimated total Basic Life Insurance coverage. Divide this calculated total by 1,000 and multiply it by the withholding rate required by law. The Life Insurance withholding rates are found in the FEGLI Program Booklet on the OPM's website.

Procedure 6.c.iii.

Compare the result in step 6.c.ii. to the withholdings for Basic Life Insurance coverage reported on the RITS submission. Report any difference (i.e., gross rather

than net) between the estimate and the amount of withholdings reported on the RITS submission greater than 5 percent of the amounts on the RITS submission, and obtain management's explanation for the difference.

Procedure 6.c.iv.

For agency contributions: Divide the results of step 6.c.ii. by 2; 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 that are greater than 5 percent of the amounts on the RITS submission, and obtain management's explanation for the differences.

Results

We did not identify any differences greater than 5 percent for this comparison.

Procedure 6.d.

Calculate the Option A, Option B, and Option C Basic Life Insurance coverage withholdings for the three pay periods selected by using detail payroll reports used to reconcile the RITS reports in Step 1 on page 2 of the AUPs. 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.⁶

Procedure 6.d.i.

Multiply the number of employees in each age group by the appropriate rate for Option A in accordance with the rates for age groups provided in the FEGLI Program Booklet.

Procedure 6.d.ii.

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

Results

We did not identify any differences greater than 2 percent for this comparison.

Procedure 6.d.iii.

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

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

⁶ While similar to step 2.j., the calculation at this step is for the entire amount reported on the RITS submissions for the three pay periods selected, as opposed to the sample of 25 employees in step 2.j.

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

Procedure 6.d.iv.

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

Results

We did not identify any differences greater than 2 percent for the Option B comparison.

We identified seven differences for Option C employee withholding. The Air Force Payroll Office had a 2.24-percent difference for the pay period ending September 5, 2015. The ODO Payroll Office had a 2.57-percent difference for the pay period ending September 5, 2015. The Army Payroll Office had a 2.21-percent difference for the pay period ending August 22, 2015, and a 3.05-percent difference for the pay period ending February 20, 2016. The Overseas DoD had a 6.74-percent difference for the pay period ending September 5, 2015. The Military Sealift Command had a 3.03-percent difference for the pay period ending September 5, 2015, and a 2.21-percent difference for the pay period ending February 6, 2016.

DFAS management stated that these differences were caused by refunds due to employees, and other FEGLI adjustments for debt.

Procedure 7.

Compare the list of field offices/duty stations to the list of local CFC campaigns obtained from OPM’s Office of Combined Federal Campaign Operations (OCFCO).

Procedure 7.a.

Determine in which campaign each field office/duty station is located.⁷

Results

We determined in which campaign each field office is located, including locations with no local CFC campaign.

Procedure 8.

Compare the list of accounting codes to the identified campaigns for each field office/duty station.

⁷ Note: It is possible for a field office/duty station to be in a location with no local CFC campaign.

Procedure 8.a.

Determine the accounting code for each field office/duty station.

Procedure 8.b.

Determine if the name of the campaign, the PCFO, and address of the PCFO in the APP system agree with the information for that field office/duty station on the list of local CFC campaigns obtained from OPM's OCFCO.

Results

We found 12 differences when we compared the name of the campaign, the PCFO, and the PCFO address with the DCPS CFC information and the OPM CFC information. There were three differences in campaigns in the DCPS that no longer exist, four differences in campaign names, one difference in PCFO name, and four differences in PCFO addresses. DFAS management explained that the DCPS missed deleting the three campaigns that no longer existed, but did not explain why the other nine differences occurred. DFAS management stated it would correct the 12 differences. See Tables 2, 3, and 4 for the details of the campaign name, PCFO name, and PCFO address differences by category.

Table 2. Campaign Name Differences

Campaign Number	Campaign Name in OPM Records	Campaign Name in DCPS
0773	Palmetto State CFC	Midlands Area CFC
0830	Greater West Texas CFC	West Central Texas CFC
0838	Central Band Area CFC	Coastal Bend Area CFC
0975	Puerto Rico CFC	Puerto Rico & US VI CFC

Table 3. Principal Combined Fund Organization Name Differences

Campaign Number	PCFO Name in OPM Records	PCFO Name in DCPS
0808	United Way of Greater Chattanooga	c/o UW GRTR Knoxville, Inc.

Table 4. Principal Combined Fund Organization Address Differences

Campaign Number	PCFO Address in OPM Records	PCFO Address in DCPS
0051	330 N. Commerce Park Loop Suite 200 Tucson, AZ 85745	330 N Commerce Prk Lp 200 Tucson, AZ 85754
0503	843 N. President Street Jackson, MS 39225	843 N Pres St PO Box 23169 Jackson, MS 39213
0846	PO Box 187 McAllen, TX 78501	PO Box 187 McAllen, TX 78505
0921	645 4th Street Suite-101 Bremerton, WA 98337	645 4th St Ste 100 Bremerton, WA 98337

Procedure 9.

Sort the report of all employees with CFC deductions by Official Duty Station.

Procedure 9.a.

Compare the Official Duty Stations to the campaigns identified for those locations.

Procedure 9.b.

Compare the Accounting Codes for each employee with CFC deductions to the accounting code identified for that employee's Official Duty Station. Determine if this agrees to the accounting code identified for that field office/duty station.

Results

We determined that 890 out of 88,848 employees with CFC deductions in the March Semiannual Headcount Report pay periods had incorrectly coded CFC deductions. We identified 155 differences for the Army; 118 differences for the Navy; 58 differences for the Air Force; 5 differences for the National Guard; 77 differences for ODOs serviced by DFAS, the Defense Logistics Agency (DLA), Washington Headquarters Service (WHS), the Army, the Navy, and the National Geospatial-Intelligence Agency (NGA); 19 differences for the DOE; 59 for the HHS; and 399 differences for the VA. We provided our detailed results to the OPM in a separate document.

Air Force management provided the following responses based on their review of the 58 differences:

- In 38 cases, the differences occurred because the employees moved after they completed their CFC pledge forms.
- In 10 cases, the differences occurred because the employees had an official duty station location different from where they worked and lived.
- In five cases, the differences occurred because the employees changed agencies and location.
- In three cases, the differences occurred because the employees no longer worked for the Air Force.
- In two cases, the differences could not be verified.

National Guard management stated that only one of the five differences we identified was incorrectly coded in the DCPS. This difference was caused by an employee transfer. For the remaining four differences, National Guard management stated that they believed that the accounting codes in the DCPS were correct. However, our data indicate that the accounting codes provided by the OPM are different than the accounting codes in the DCPS. Therefore, we believe that the remaining four are still differences, and the National Guard did not provide an explanation for these differences.

Of the 77 ODO differences, 19 employees were serviced by DFAS, 19 by the DLA, 6 by the WHS, 6 by the NGA, 26 by the Army, and 1 by the Navy.

For the 19 DFAS differences, DFAS management stated that the differences occurred because employees moved to a different location during the year.

For the 19 DLA differences, DLA management stated that:

- in six cases the differences occurred because employees moved after they completed their CFC pledge forms;
- in one case the difference occurred because an employee completed the wrong pledge form for the employee's duty station;
- in 11 cases the differences occurred because the employees had an official duty station location different from where they worked and lived; and
- in one case the difference occurred because the employee changed agency and location.

For the six WHS differences, WHS management stated that the differences occurred because those employees, assigned to the Raven Rock Mountain Complex, received and filled pledge forms from the Pentagon Force Protection Agency headquarters at the Pentagon. As part of the corrective action plan, the PCFO will provide pledge forms for the employees at Raven Rock Mountain Complex and for the Pentagon Force Protection Agency officers assigned to that duty location. Furthermore, employees will have the option to pledge electronically via MyPay, which will reduce the possibility of errors.

For the six NGA differences, NGA management did not provide explanations.

The Army did not provide an explanation for the 155 Army employee differences and for the 26 differences for ODO employees serviced by the Army. However, the Army provided a corrective action plan. Specifically, Army management stated that they will modify training for campaign managers and CFC Key Workers to highlight eligibility requirements of donors within campaign areas, and will also modify marketing materials to include a statement of eligibility. In addition, they requested pledge forms from the administrative assistant to the Secretary of the Army to perform an analysis on the inconsistencies between duty station and campaigns that occurred during the 2015 campaign.

The Navy did not provide an explanation for the 118 Navy employee differences. However, for the one difference for the ODO employee serviced by the Navy, management stated that the difference occurred because the employee changed duty stations after he made the CFC pledge on MyPay. For corrective action related to the 118 Navy employee differences, representatives stated that they will review CFC forms from the Civilian Payroll System, and the PCFOs and branch directors will analyze the results.

DOE management stated that the 19 differences occurred because the employees' duty stations differed from the organization's headquarters location; consequently, they received their pledge forms from the organization's headquarters, not from CFC Key Workers at their duty stations. Therefore, the employees who lived in a location other than the servicing location did not complete the correct campaign form covering their official duty stations.

For the 59 HHS differences, HHS management stated that employees can enter their CFC pledge information in the following three ways: HHS Human Resource Centers, MyPay, or the CFC website. However, none of these processes validates the employees' CFC pledge information to ensure employees selected the appropriate campaign area code for their duty stations. In addition, CFC Key Workers are not properly trained to instruct employees on how to select CFC campaign area codes that are appropriate for their duty stations. Furthermore, employees are not aware, and CFC documentation does not state, that employees are required to select CFC campaign area codes that are appropriate for their duty stations. As part of its corrective action plan, HHS will develop a data entry process to validate that employees' selected CFC campaign area codes are appropriate for their duty stations. The CFC campaign manager training program for CFC Key Workers will emphasize how employees should select CFC campaign area codes appropriately for their duty stations. The CFC campaign manager will also ensure that this requirement and information are in the CFC documentation.

VA management did not provide explanations for its differences.

Procedure 10.

From the list of accounting codes that do not agree with the field office/duty station, select a judgmental sample of four pledges per Federal agency and request the hard copy pledge form or electronic copy of the pledge form from the agency/department.

- Determine if the pledge form used was for the correct campaign based on the official duty station.

Report as a finding the following:

- a. All instances in which the name of the campaign, PCFO, or address of the PCFO on the list of accounting codes from the Federal Payroll Office does not match the information on the list of all local CFC campaigns obtained from the OPM's CFC. A chart detailing the differences should be included. Obtain management's explanation for the differences and a corrective action plan.
- b. All instances in which a Federal agency has a CFC deduction for an employee whose official duty station is in an area with no local CFC campaign. A chart listing the Federal agency, the duty station code, and the campaign receiving the funds should be included. Obtain management's explanation for the differences and a corrective action plan.

- c. All instances in which the accounting code for an employee with the CFC deductions does not agree to the accounting code for the employee’s official duty station. A chart listing the Federal agency, the duty station code, the campaign used, and the correct campaign should be included. Obtain management’s explanation for the differences and a corrective action plan.
- d. All instances in which the incorrect pledge form was used by the employee. A chart listing the Federal agency, the correct campaign, and the campaign used should be included.

Results

We nonstatistically selected 32 pledge forms. Agencies did not provide 18 of these pledge forms and were unable to provide 2 electronic pledge forms. For the 12 pledge forms provided, 11 pledge forms were the incorrect form based on the employee’s official duty station and 1 pledge form was correctly prepared but the campaign information was incorrectly entered in the DCPS.

See Table 5 for the incorrect campaign code by organization.

Table 5. Incorrect Campaign Code on Pledge Form by Organization

Federal Organization	Correct Campaign Code	Campaign Code Used
Navy	0990	0405
	0897	0990
	0990	0897
Air Force	0686	0990
National Guard	0642	0751
	0249	0283
	0684	0689
	0552	0551
Other Defense Organizations	0751	0457
Department of Energy	0560	0283
	0832	0990

Acronyms and Abbreviations

APP	Agency Payroll Provider
AUP	Agreed-Upon Procedure
CFC	Combined Federal Campaign
CSRS	Civil Service Retirement System
DCPS	Defense Civilian Pay System
DFAS	Defense Finance and Accounting Service
DLA	Defense Logistics Agency
DoE	Department of Energy
FEGLI	Federal Employees Group Life Insurance
FEHB	Federal Employees Health Benefit
FERS	Federal Employees Retirement System
HHS	Department of Health and Human Services
NGA	National Geospatial-Intelligence Agency
ODO	Other Defense Organizations
OPF	Official Personnel File
OPM	Office of Personnel Management
PCFO	Principal Combined Fund Organization
RITS	Retirement and Insurance Transfer System
VA	Department of Veterans Affairs
WHS	Washington Headquarters Service



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