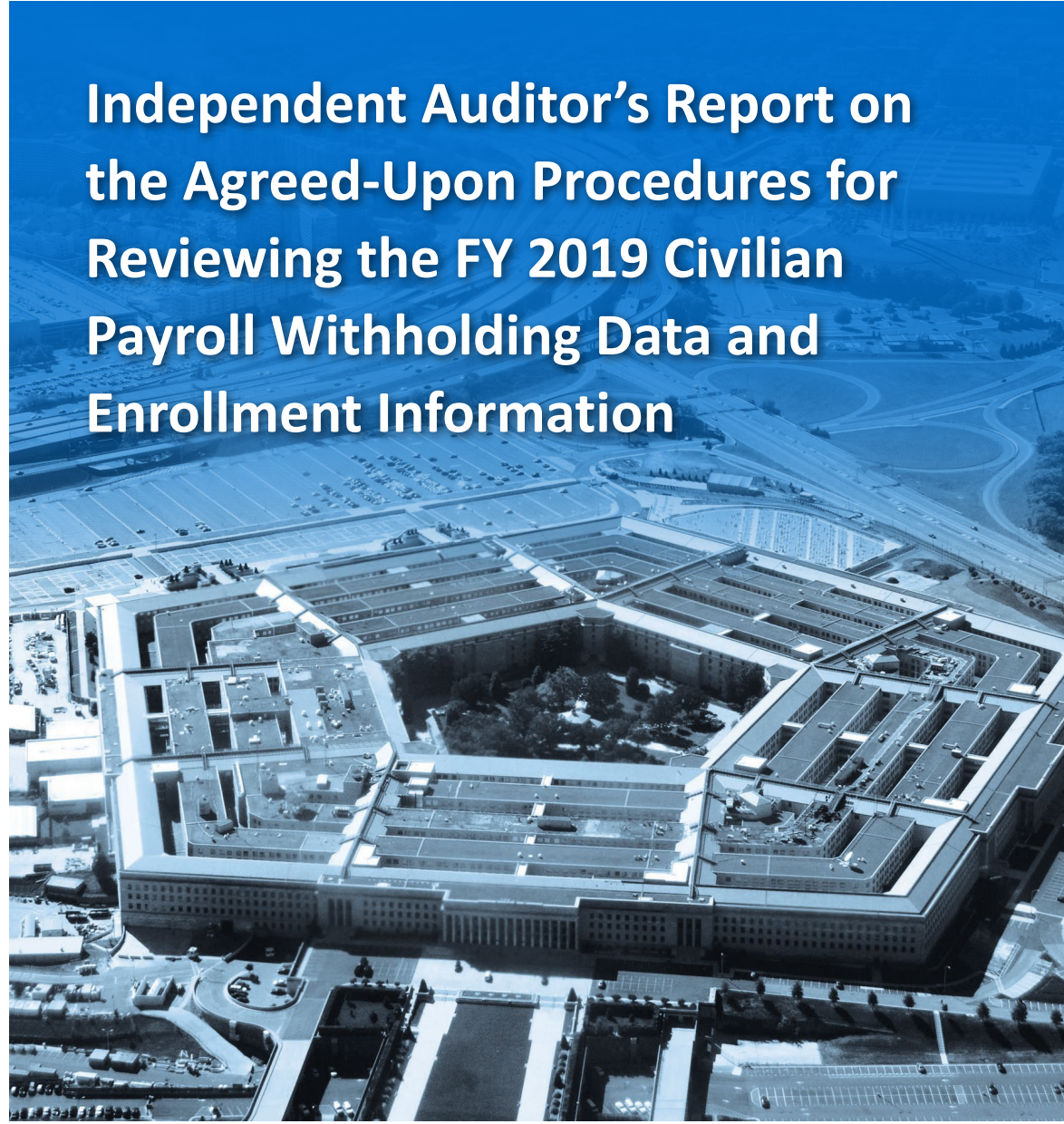




INSPECTOR GENERAL

U.S. Department of Defense

SEPTEMBER 26, 2019



Independent Auditor's Report on the Agreed-Upon Procedures for Reviewing the FY 2019 Civilian Payroll Withholding Data and Enrollment Information

INTEGRITY ★ INDEPENDENCE ★ EXCELLENCE





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

September 26, 2019

MEMORANDUM FOR DISTRIBUTION

SUBJECT: Independent Auditor's Report on the Agreed-Upon Procedures for Reviewing the
FY 2019 Civilian Payroll Withholding Data and Enrollment Information
(Report No. DODIG-2019-126)

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 for Audit
Financial Management and Reporting

Distribution:

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

September 26, 2019

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

**SUBJECT: Independent Auditor's Report on the Agreed-Up Procedures for Reviewing the
FY 2019 Civilian Payroll Withholding Data and Enrollment Information
(Project No. D2019-D000FP-0137.000)**

Dear Mr. Vint:

We performed the procedures described in the Enclosure to this document. 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 them 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 September 1, 2018; November 10, 2018; and March 2, 2019. We also performed these procedures to assist them in assessing the reasonableness of the amounts reported in the Supplemental Semiannual Headcount Reports as of September 2018 and March 2019. The reports submitted to OPM by DFAS included information for the following entities listed in Appendix A of Office of Management and Budget Bulletin No. 19-01, "Audit Requirements for Federal Financial Statements."

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

We randomly selected a sample of 315 out of 1.3 million employees from the November 10, 2018, pay period from 11 DFAS payroll data files.¹ For the 315 employees in our sample, we compared pay, withholdings, and agency contributions in the Defense Civilian Pay System (DCPS) to documentation in Official Personnel Files (OPFs). Of the 315 OPFs, 180 represented DoD employees, 45 represented DoE employees, 45 represented HHS employees, and 45 represented VA employees.

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.

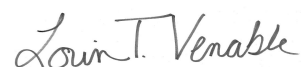
We performed the agreed-upon procedures to review the OPFs of DoD and VA employees. Auditors from the DoE and HHS Offices of Inspector General (OIGs) performed the agreed-upon procedures to review OPFs of their agency employees. We believe the evidence obtained during the reviews provides a reasonable basis for our conclusions based on our attestation objective.

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 such 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. None of the responses to the discussion draft report affected the accuracy of the report or required significant changes to the report.

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.

Sincerely,



Lorin T. Venable, CPA

Assistant Inspector General for Audit
Financial Management and Reporting

Enclosure:

Agreed-Up on Procedures Performed and Results

Enclosure: Agreed-Upon Procedures Performed and Results

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

Overall Procedure

For employee benefit withholding and contributions:

- Obtain the Agency Payroll Provider's (APPs) September 2018 and March 2019 Semiannual Headcount Reports submitted to OPM and a summary of Retirement and Insurance Transfer System (RITS) submissions for September 2018 and the current fiscal year.

For each program:

- Select a total of three RITS submissions for September 2018 and the current FY 2019; two will coincide with the September 2018 and one with the March 2019 Semiannual Headcount Report.
- Obtain payroll information for the periods covered by the RITS submissions selected.

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.

Procedure 1.

Compare RITS submission data to the payroll information by performing the following procedures.²

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 recalculated in Procedure 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) shown on the Payroll information obtained in Procedure 1.a. to the related amounts shown on the RITS submission for the corresponding period.

² 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.

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 e-mail address for the differences above the 1 percent threshold.

Results

DoD OIG auditors 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 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 (option A, B, or C).

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 Procedure 2.a. Hard copies can be originals or certified copies.

- 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.;³ 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.⁴

³ A new SF-2809 is needed only if an employee is changing health benefit plans.

⁴ A new SF-2817 is needed only if an employee is changing life insurance coverage.

Results

Of the 175 OPFs reviewed, 38 documents were processed late by employee personnel offices, did not match the information in the DCPS, or were missing from the OPF. Under these categories, DoD OIG auditors identified 3 documents from the Army and Army National Guard, 3 documents from the Air Force/Air National Guard, 1 document from Other Defense Organizations (ODOs), and 13 documents from the VA.⁵ DoE OIG auditors identified 4 documents and HHS OIG auditors identified 14 documents that were processed late by employee personnel offices, did not match the information in the DCPS, or were missing from the OPF. See the Table for the number and type of documents by organization that were processed late, did not match the information in the DCPS, or, were missing from the OPF.

Table. Number and Type of Documents by Organization That Were Processed Late, Did Not Match, or Were Missing From the OPF

Form	Deficiency	Army / Army National Guard	Navy	Air Force / Air National Guard	Other Defense Organizations	Veterans Affairs	Department of Energy	Health and Human Services	Total
SF-50	Processed Late	1		2					3
	Did Not Match							1	1
	Missing	1							1
SF-2809	Did Not Match					6		3	9
	Missing					2		4	6
SF-2817	Did Not Match	1		1		2	2	1	7
	Missing				1	3	2	5	11
	Total	3	0	3	1	13	4	14	38

Source: The DoD OIG.

Procedure 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.

⁵ ODOs consisted of the Defense Logistics Agency, Department of Defense Education Activity, Defense Commissary Agency, Defense Finance and Accounting Services, and Defense Contract Management Agency.

Results

DoD OIG auditors identified four differences—two for the Army and two for the Air Force. Management did not provide an explanation for these differences. We determined that three differences occurred because our calculations, based on the SF-50s provided, did not match the gross pay in the DCPS and one difference for the Army occurred because the SF-50 was missing from the employee's OPF.

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

Results

HHS OIG auditors identified one difference. Management did not provide an explanation for the difference. They determined that this difference occurred because the retirement code on the SF-50 did not match what was recorded in the DCPS.

Procedure 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

DoD OIG auditors identified four differences—two for the Army and two for the Air Force. Management did not provide an explanation for these differences. We determined that three differences occurred because our calculations, based on the SF-50s provided, did not match the employee retirement withholdings or agency contributions in the DCPS. We also determined that one difference occurred because the SF-50 was missing from the employee's OPF.

Procedure 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 are on OPM's website at <http://www.opm.gov/insure/health/rates/index.asp>.

Results

DoD OIG and HHS OIG Auditors identified 15 differences—8 for the VA and 7 for the HHS. Management did not provide an explanation for these differences. We determined that six VA differences occurred because the health enrollment code on the SF-2809 did not match the DCPS data and two VA differences occurred because the SF-2809 was missing from the employee's OPF. HHS OIG auditors determined that three HHS differences occurred because the health enrollment code on the SF-2809 did not match the DCPS data and four HHS differences occurred because the SF-2809 was missing from the employee's OPF.

Procedure 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

DoD OIG, DoE OIG and HHS OIG auditors identified 11 differences—1 for the ODOs, 2 for the DoE, 5 for the HHS, and 3 for the VA. Management did not provide an explanation for these differences. We determined that one difference for the ODOs and three differences for the VA occurred because the SF-2817 was missing from the employee's OPF. DoE OIG auditors determined that two differences occurred because the SF-2817s were missing. HHS OIG auditors determined that five differences occurred because the SF-2817s were missing.

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

DoD OIG, DoE OIG and HHS OIG auditors identified 14 differences—2 for the Army, 1 for the Air Force, 1 for the ODOs, 2 for the DoE, 5 for the HHS, and 3 for the VA. Management did not provide an explanation for these differences. We determined that:

- one Army and one Air Force difference occurred because our calculations, based on the SF-50s provided, did not match the DCPS data; and
- one Army, one ODO, and three VA differences occurred because employee OPFs were missing the SF-50 or SF-2817.

DoE OIG auditors determined that two differences occurred because employee OPFs were missing the SF-50 or SF-2817. HHS OIG auditors determined that five differences occurred because employee OPFs were missing the SF-50 or SF-2817.

Procedure 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

DoD OIG, DoE OIG and HHS OIG auditors identified 20 differences—3 for the Army, 1 for the Air Force, 1 for the ODOs, 4 for the DoE, 6 for the HHS, and 5 for the VA. Management did not provide an explanation for these differences. We determined that three Army, one Air Force, and two VA differences occurred because the SF-2817s did not match the DCPS data. We also determined that one ODO difference and three VA differences occurred because the SF-2817s were missing.

DoE OIG auditors determined that two differences occurred because the SF-2817s did not match the DCPS data and two differences occurred because the SF-2817s were missing. HHS OIG auditors determined that one difference occurred because the SF-2817s did not match the DCPS data and five differences occurred because the SF-2817s were missing.

Procedure 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. 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.

Results

DoD OIG, DoE OIG and HHS OIG auditors identified 21 differences—3 for the Army, 2 for the Air Force, 1 for the ODOs, 4 for the DoE, 6 for the HHS, and 5 for the VA. Management did not provide an explanation for these differences. We determined that:

- two Army differences and one Air Force difference occurred because the SF-50 was missing or processed late from the employee's OPF, which caused a miscalculation of the life insurance;
- one Army, one Air Force, and two VA differences occurred because the life insurance election on the SF-2817 did not match the DCPS data; and
- one ODO difference and three VA differences occurred because employee OPFs were missing the SF-2817.

DoE OIG auditors determined four differences occurred because OPFs of two employees were missing the SF-2817s and two SF-2817s did not match the DCPS data. HHS OIG auditors determined that six differences occurred because OPFs of five employees were missing the SF-2817s and one SF-2817 did not match the DCPS data.

Procedure 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.

Procedure 3.a.

Obtain SF-2809s covering the pay periods in the RITS submissions chosen, either in electronic or hard copy format from the selected employee's OPF or, if applicable, obtain

a report (through the agency personnel office) from the agency's automated system that allows participants to change benefits (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.

Procedure 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.

Results

Of the 70 OPFs reviewed, DoD OIG and HHS OIG auditors identified 6 differences—1 for the Army, 2 for the Air Force, 2 for the HHS and 1 for the VA. Management did not provide an explanation for these differences. We determined that one Army difference occurred because the SF-2809 was missing, two Air Force differences and one VA difference occurred because election coverage did not match the DCPS data. HHS OIG auditors determined that two HHS differences occurred because election coverage did not match the DCPS data.

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.

Procedure 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.

Procedure 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

Of the 70 OPFs reviewed, DoD OIG auditors identified 2 differences—1 for the Army, and 1 for the Air Force. Management did not provide an explanation for these differences. We determined that the Army difference occurred because the SF-2817 was missing from the employee's OPF and the Air Force difference occurred because the SF-2817 did not match the DCPS data.

Procedure 5.

Calculate the headcount reflected on the September 2018 and March 2019 Semiannual Headcount Report selected, by following the methods below.

Procedure 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
- Aggregate Base Salary

Procedure 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:

- Estimate the number of employees per payroll register page by counting the employees listed on several pages,
- Count the number of pages in the payroll register, and
- Multiply the number of employees per page by the number of pages, or count (using a computer audit routine) the number of employees on the payroll data file for the period.

Procedure 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 2 percent. Obtain a management official name, telephone number, an email address, and an explanation for the differences.

Results

Of the 22 Semiannual Headcount Reports reviewed, DoD OIG auditors identified 6 differences greater than 2 percent when we compared the Semiannual Headcount Reports to the DCPS data. Four differences were in the September and March Semiannual Headcount Reports when compared to the headcount listed in the DCPS. The Indianapolis DoD Overseas Payroll Office had differences of 3.54 percent and 2.19 percent in the number of reconciliations for the periods ending September 1, 2018, and March 2, 2019, respectively. The DoD Indianapolis Army Overseas Payroll Office had differences of 2.70 percent and 3.06 percent in the number of reconciliations for the periods ending September 1, 2018, and March 2, 2019, respectively. DFAS management stated that these differences occurred because the financial pay records contained data of intermittent/seasonal employees who have an active status, but may not be participants for the deductions on the Semiannual Headcount Report. Therefore, they would not be included in the employee total for purposes of the Semiannual Headcount Report.

The remaining two differences were base pay differences of 754.82 percent and 618.90 percent in the September and the March Semiannual Headcount Reports for the VA Payroll Office. DFAS management stated that the differences in the base pay for September and March occurred because the Semiannual Headcount Report displays the total base pay with a truncated value because it does not have enough numerical positions to show a billionth digit. DFAS management also stated that DFAS requested a system change that has yet to be implemented.

Procedure 6.

Calculate employer and employee contributions for Retirement, Health Benefits, and Basic Life Insurance as described below:

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 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

DoD OIG auditors identified three differences greater than 5 percent for the FERS-Revised Annuity Employee comparison. The Cleveland Navy Payroll Office had a 6.35 percent employee withholding difference for the pay period ending November 10, 2018, and a 44.74 percent difference for the pay period ending March 2, 2019. The Cleveland Shipyard Payroll Office had a 24.89 percent employee withholding difference for the pay period ending March 2, 2019. DFAS management stated that these differences occurred because either the affected employees had a change in their retirement code or manual adjustments were made to pay records.

For the CSRS, FERS and FERS Further Revised Annuity Employee 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 Procedure 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 Procedure 6.b.i. and compare the results 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

DoD OIG auditors did not identify any differences for this comparison.

Procedure 6.c.

Calculate the Basic Life Insurance employee withholdings and employer contributions for the three pay periods selected in Procedure 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 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.

Procedure 6.c.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.

Procedure 6.c.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.

Results

DoD OIG auditors 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 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.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 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.

Results

DoD OIG auditors identified three differences greater than 2 percent for Option A employee withholdings. The Indianapolis DoD Overseas Payroll Office had a difference of 2.23 percent for the pay period ending March 2, 2019. The Cleveland DoE Payroll Office had a difference of 8.48 percent for the pay period ending November 10, 2018, and the Cleveland HHS Payroll Office had a difference of 2.56 percent for the pay period ending March 2, 2019. DFAS management stated that these differences occurred due to the DCPS withholding adjustments and the DCPS debt collections.

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, 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.

Procedure 6.d.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.

⁶ 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.

Results

DoD OIG auditors identified one difference greater than 2 percent for Option B employee withholdings. The Indianapolis DoD Overseas Payroll Office had a difference of 2.35 percent for the pay period ending March 2, 2019. DFAS management stated that the difference occurred due to the DCPS withholding adjustments and the DCPS debt collections.

We also identified four differences greater than 2 percent for Option C employee withholdings. The Indianapolis Air Force Payroll Office had a difference of 3.39 percent and the Indianapolis DoD Overseas Payroll Office had a difference of 3.64 percent for the pay period ending November 10, 2018. The DoD Indianapolis Army Overseas Payroll Office had a difference of 2.73 percent and the Cleveland HHS Payroll Office had a difference of 6.94 percent for the pay period ending March 2, 2019. DFAS management stated that these differences occurred due to the DCPS withholding adjustments and the DCPS debt collections.

Acronyms and Abbreviations

APP	Agency Payroll Provider
CSRS	Civil Service Retirement System
DCPS	Defense Civilian Pay System
DoE	Department of Energy
FEGLI	Federal Employees' Group Life Insurance
FERS	Federal Employees Retirement System
HHS	Department of Health and Human Services
ODO	Other Defense Organization
OPF	Official Personnel File
OPM	Office of Personnel Management
RITS	Retirement and Insurance Transfer System
VA	Department of Veterans Affairs



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