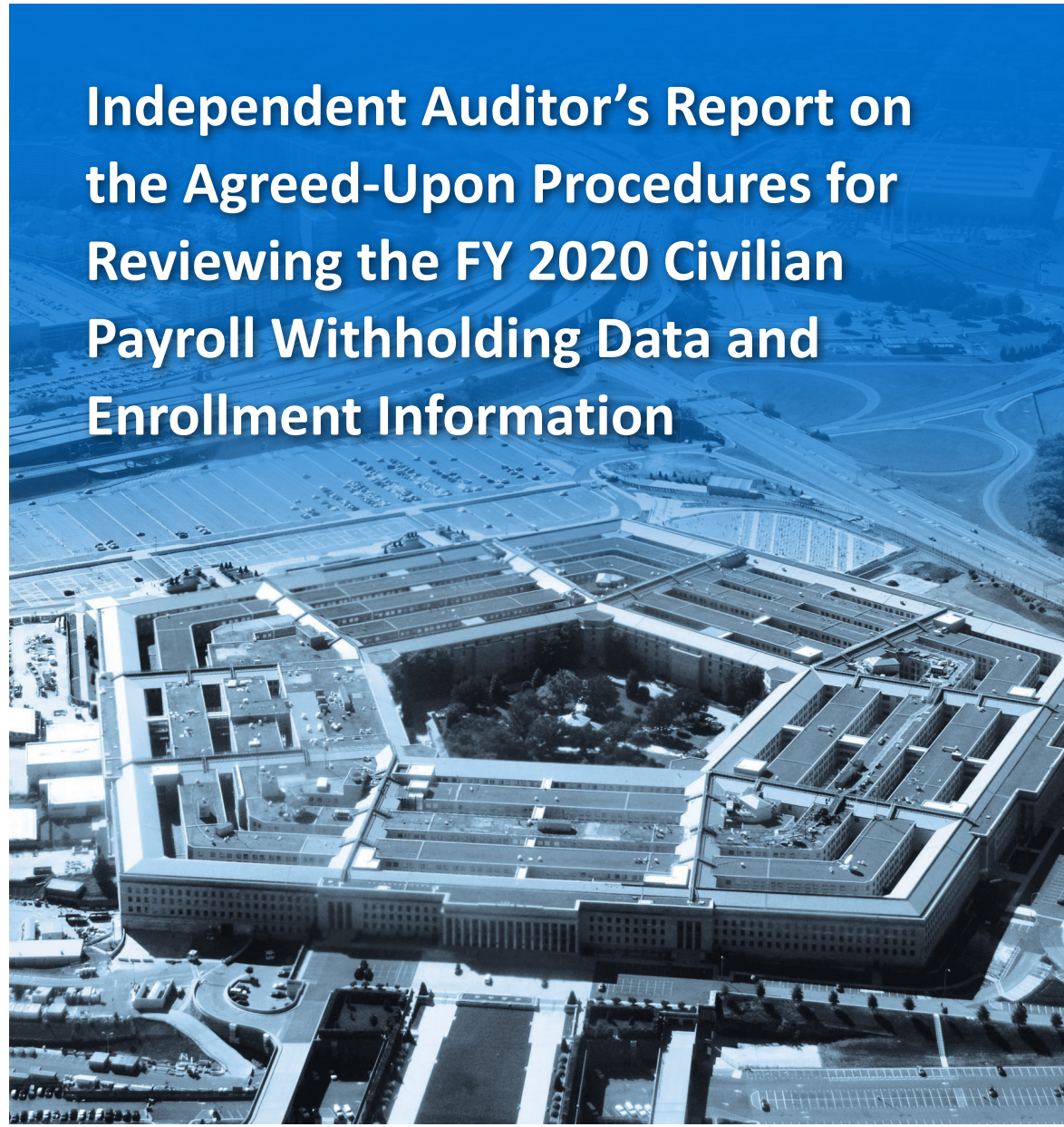




# INSPECTOR GENERAL

*U.S. Department of Defense*

SEPTEMBER 29, 2020



## Independent Auditor's Report on the Agreed-Upon Procedures for Reviewing the FY 2020 Civilian Payroll Withholding Data and Enrollment Information

INTEGRITY ★ INDEPENDENCE ★ EXCELLENCE





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

September 29, 2020

MEMORANDUM FOR DISTRIBUTION

**SUBJECT:** Independent Auditor's Report on the Agreed-Upon Procedures for  
Reviewing the FY 2020 Civilian Payroll Withholding Data and  
Enrollment Information (Report No. DODIG-2020-130)

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

We appreciate the cooperation and assistance received during the audit. Please direct questions to me at [REDACTED]

*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 29, 2020

The Honorable Norbert Vint  
Deputy 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 2020 Civilian Payroll Withholding Data and  
Enrollment Information (Project No. D2020-D000FP-0080.000)

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 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 31, 2019; January 18, 2020; and February 29, 2020. We also performed these procedures to assist OPM in assessing the reasonableness of the amounts reported in the Supplemental Semiannual Headcount Reports as of September 2019 and March 2020.<sup>1</sup> 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. 19-03, “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 January 18, 2020, pay period from 11 DFAS payroll data files.<sup>2</sup> 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 employees’ 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.

<sup>1</sup> According to Benefits Administration Letters for September 2019 and March 2020 Headcounts, the reporting periods for payroll paid are the first 15 days of September and March. Therefore, the August 31, 2019, and February 29, 2020, payroll periods pertain to the first payrolls paid in September 2019 and March 2020.

<sup>2</sup> 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 (AUPs) to review the OPFs of DoD and VA employees. Auditors from the DoE and HHS Offices of Inspector General (OIG) performed the AUPs 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 AUPs 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.

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 any 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-Upon Procedures Performed and Results

# Enclosure: Agreed-Upon Procedures Performed and Results

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

## Overall Procedure

For employee benefit withholding and contributions:

- Obtain the Agency Payroll Provider's (APPs) September 2019 and March 2020 Semiannual Headcount Reports submitted to OPM and a summary of Retirement and Insurance Transfer System (RITS) submissions for September 2019 and the current fiscal year.

For each program (retirement, health and life):

- Select a total of three RITS submissions for September 2019 and the current FY 2020; the selection will include one with the September 2019 Semiannual Headcount Report, one with the March 2020 Semiannual Headcount Report, and a 3rd between October 1, 2019 and August 31, 2020.
- 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.<sup>3</sup>

### **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.

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<sup>3</sup> 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 email 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.;<sup>4</sup> and

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<sup>4</sup> A new SF-2809 is needed only if an employee is changing health benefit plans.



- 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 period in the RITS submission chosen.<sup>5</sup>

## Results

Of the 175 OPFs reviewed, 31 documents did not match the information in the DCPS, or were missing from the OPF. Under these categories, DoD OIG auditors identified 6 documents from the Army and Army National Guard, 1 document from Other Defense Organizations (ODOs), and 16 documents from the Department of Veterans Affairs (VA). DoE OIG auditors identified two documents and HHS OIG auditors identified six documents that did not match the information in the DCPS, or were missing from the OPF. See Table 1 for the number and type of documents by organization that did not match the information in the DCPS, or were missing from the OPF.

*Table 1. Number and Type of Documents That Did Not Match or Were Missing From the OPF*

Form	Organization	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	Did Not Match					1			1
	Missing	3			1				4
SF-2809	Did Not Match					6			6
	Missing	2				3	2	1	8
SF-2817	Did Not Match					3		3	6
	Missing	1				3		2	6
	<b>Total</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>16</b>	<b>2</b>	<b>6</b>	<b>31</b>

Source: The DoD OIG.

<sup>5</sup> A new SF-2817 is needed only if an employee is changing life insurance coverage.

***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.

***Results***

Auditors identified six differences: three for the Army, one for the ODOs, one for the VA, and one for the DoE. DoD OIG auditors determined that four differences for the Army and ODOs occurred because the SF-50 was missing from the employee's OPF. DoD OIG auditors also determined that one difference for the VA was identified because DoD OIG calculations, based on the SF-50s provided, did not match the gross pay in the DCPS. DoE OIG auditors determined that one difference for DoE was identified because DoE OIG calculations, based on the SF-50s provided, did not match the gross pay in the DCPS. Management did not provide an explanation for these differences.

***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***

Auditors identified three differences: one for the Army, one for the ODOs, and one for the DoE. DoD OIG auditors determined that two differences for the Army and the ODOs occurred because the SF-50 was missing from the employee's OPF. DoE OIG auditors determined that one difference occurred because the retirement code on the SF-50 did not match what was recorded in the DCPS. Management did not provide an explanation for the differences.

***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***

Auditors identified six differences: three for the Army, one for the ODOs, one for the VA, and one for the DoE. DoD OIG auditors determined that four differences for the Army and ODOs occurred because the SF-50 was missing from the employee's OPF.

DoD OIG auditors also determined that one difference for the VA was identified because DoD OIG calculations, based on the SF-50s provided, did not match the employee's retirement withholdings or agency contributions in the DCPS. DoE OIG auditors identified one difference for the DoE was identified because DoE OIG calculations, based on the SF-50s provided, did not match the employees' retirement withholdings or agency contributions in the DCPS. Management did not provide an explanation for the differences.

### ***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***

Auditors identified 15 differences: 2 for the Army, 9 for the VA, 3 for the DoE, and 1 for the HHS. DoD OIG auditors determined that two differences for the Army and three differences for the VA occurred because the SF-2809 was missing from the employees' OPF. DoD OIG auditors also determined that six differences for the VA occurred because the health enrollment code on the SF-2809 did not match the DCPS data.

DoE OIG auditors determined that one difference for DoE occurred because the health enrollment code on the SF-2809 did not match the DCPS data and two DoE differences occurred because the SF-2809 was missing from the employee's OPF. HHS OIG auditors determined that one HHS difference occurred because the SF-2809 was missing from the employees' OPF.

Management did not provide an explanation for these differences.

### ***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***

Auditors identified eight differences: one for the Army, three for the VA, and four for the HHS. DoD OIG auditors determined that one difference for the Army and three differences for the VA occurred because the SF-2817 was missing from the employees' OPF. HHS OIG auditors determined that two differences occurred

because the SF-2817s were missing and two differences occurred because the Basic Life Insurance election did not match the DCPS data. Management did not provide an explanation for these differences.

### ***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***

Auditors identified 13 differences: 3 for the Army, 1 for the ODOs, 4 for the VA, 1 for the DoE, and 4 for the HHS. Auditors determined that:

- three Army, one ODO, and three VA differences occurred because the SF-50 or SF-2817 was missing from the employees' OPF;
- one VA difference occurred because calculations, based on the SF-50 provided, did not match the DCPS data;
- two HHS differences occurred because the SF-50 or SF-2817 was missing from the employees' OPF; and
- one DoE and two HHS differences occurred because their calculations, based on the SF-50 provided, did not match the DCPS data.

Management did not provide an explanation for these differences.

### ***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***

Auditors identified 17 differences: 4 for the Army, 1 for the ODOs, 6 for the VA, 1 for the DoE, and 5 for the HHS. DoD OIG auditors determined that one difference for the Army and three differences for the VA occurred because the SF-2817

was missing. DoD OIG auditors also determined that three Army, one ODO, and three VA differences occurred because the election coverage on the SF-2817 did not match the DCPS data.

DoE OIG auditors identified that one difference occurred because the SF-2817s coverage did not match the DCPS data. HHS OIG auditors determined three differences occurred because the election coverage on the SF-2817 did not match the DCPS data and two differences occurred because the SF-2817 was missing.

Management did not provide an explanation for the differences.

### ***Procedure 2.j.***

For each individual selected in Procedure 2.a., calculate the withholding amounts for optional life insurance using the following methods. The optional life insurance rates are on OPM's website at <https://www.opm.gov/healthcare-insurance/life-insurance/reference-materials/publications-forms/fegli-handbook/>.

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

### ***Results***

Auditors identified 17 differences: 4 for the Army, 1 for the ODOs, 6 for the VA, 1 for the DoE, and 5 for the HHS. DoD OIG auditors determined that one difference for the Army and three differences for the VA occurred because the SF-2817 was missing. DoD OIG auditors also determined that three Army, one ODO, and three VA differences occurred because the election coverage on the SF-2817 did not match the DCPS data.

DoE OIG auditors determined that one difference occurred because the election coverage on the SF-2817 did not match the DCPS data. HHS OIG auditors determined that three differences occurred because the election coverage on the SF-2817 did not match the DCPS data and two differences occurred because the SF-2817 was missing.

Management did not provide an explanation for these differences.

### **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, auditors identified 5 differences: 1 for the Army, 1 for the Air Force, 2 for the VA, and 1 for the DoE. DoD OIG auditors determined that one difference for the Army, one difference for Air Force, and two differences for the VA occurred because election coverage did not match the DCPS data. DoE OIG auditors determined that one difference for DoE occurred because the election coverage did not match the DCPS data. Management did not provide an explanation for these differences.

## 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 canceled 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, auditors identified 9 differences: 1 for the Army, 1 for the Air Force, 1 for the ODOs, 3 for the VA, 2 for the DoE, and 1 for the HHS. DoD OIG auditors determined that one difference for the Army, one difference for the Air Force, and one difference for ODOs occurred because the SF-2817s were missing from the employee's OPF. DoD OIG auditors determined that two VA differences occurred because the SF-2817s were missing from the employee's OPF, and one VA difference occurred because the SF-2817's election coverage did not match the DCPS data. DoE OIG auditors determined that one difference occurred because one SF-2817 was missing and the other difference occurred because the SF-2817 was incomplete. HHS OIG auditors determined that one difference occurred because one SF-2817 was missing. Management did not provide an explanation for these differences.

## Procedure 5.

Calculate the headcount reflected on the September 2019 and March 2020 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 4 differences greater than 2 percent when DoD OIG auditors compared the Semiannual Headcount Reports to the DCPS data. Two differences were in the September Semiannual Headcount Reports when compared to the headcount listed in the DCPS. The Indianapolis DoD Overseas Payroll Office had differences of 3.71 percent in the number of reconciliations for the periods ending August 31, 2019. The Indianapolis DoD Overseas Army Payroll Office had differences of 2.25 percent in the number of reconciliations for the periods ending August 31, 2019. 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 in the September and the March Semiannual Headcount Reports. DoD OIG auditors identified two differences of 489.94 percent and 389.65 percent in the September and the March Semiannual Headcount Reports for the Department of 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 the report format does not have enough numerical positions to show a billionth digit. DFAS management also stated that they requested a system change from their information technology department but no implementation date is available at this time.



## 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 Procedure 1.a., as described below:

#### **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 one difference greater than 5 percent for the CSRS comparison. The Cleveland Military Sealift Command Payroll Office had an 8.88 percent employee withholding difference for the pay period ending August 31, 2019. DFAS management stated that this difference occurred due to withholding manual adjustments made to pay records for the affected employees.

DoD OIG auditors identified two differences greater than 5 percent for the FERS-RAE comparison. The Cleveland Navy Payroll Office had a 6.62 percent agency contribution difference for the pay period ending January 18, 2020. The Cleveland Shipyard Payroll Office had a 9.67 percent employee withholding difference for the pay period ending January 18, 2020. DFAS management stated that these differences occurred due to negative manual adjustments made to pay records for the affected employees.<sup>6</sup>

For the 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.

<sup>6</sup> DoD OIG did not include negative values in our earnings calculations because these negative values are adjustments.

**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 Handbook 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. 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.<sup>7</sup>

#### **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 Handbook.

#### **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 one difference greater than 2 percent for Option A employee withholdings. The Cleveland DoE Payroll Office had a difference of 15.94 percent for pay period ending January 18, 2020. DFAS management stated that the difference 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 Handbook. 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.

<sup>7</sup> 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.

**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.

***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 2.26 percent for pay period ending August 31, 2019. DFAS management stated that the difference occurred due to the DCPS withholding adjustments.

DoD OIG auditors also identified five differences greater than 2 percent for Option C employee withholdings. The Cleveland Shipyard Payroll Office had a difference of 4.30 percent, the Cleveland DoE Payroll Office had a difference of 4.57 percent, and the Cleveland HHS Payroll Office had a difference of 3.27 percent for the pay period ending February 29, 2020. The Cleveland HHS Payroll Office had a difference of 4.65 percent and the Cleveland Military Sealift Command Payroll Office had a difference of 3.94 percent for pay period ending August 31, 2020. DFAS management stated that these differences occurred due to the DCPS withholding adjustments and the DCPS debt collections.

## Acronyms and Abbreviations

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



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