

REVISIONS TO INSTRUCTIONS

(Revised July 27, 2004 per OMB Memorandum M-04-22)

10. AGREED-UPON PROCEDURES: RETIREMENT, HEALTH BENEFITS, AND LIFE INSURANCE WITHHOLDINGS/CONTRIBUTIONS AND SUPPLEMENTAL SEMIANNUAL HEADCOUNT REPORT SUBMITTED TO THE OFFICE OF PERSONNEL MANAGEMENT (OPM). The Agreed-Upon Procedures (AUPs) enumerated in Appendix I-1 shall be performed annually in accordance with Statements of Standards for Attestation Engagements, AT Section 201, "Agreed-Upon Procedures Engagements." The AUPs are designed to assist OPM in assessing the reasonableness of the Retirement, Health Benefits, and Life Insurance withholdings/contributions as well as semiannual headcount information submitted by agencies. The sufficiency of the procedures is solely the responsibility of the Inspector General and the Associate Director for Management and Chief Financial Officer of OPM and shall be applied to the 11 months ended August 31 of each year.
 - a. The auditor of each payroll provider shall apply the AUPs separately (1) for each entity designated as subject to the CFO Act in Appendix A; (2), the Department of Homeland Security; and (3) each entity not designated as subject to the CFO Act that has 30,000 or more employees.
 - b. Although the auditor must perform the AUPs separately for each applicable entity, the auditor shall combine the results into a single report.
 - c. The auditor of the payroll provider is the principle auditor for the purpose of performing the AUPs. The auditors of customer agencies shall participate to the extent necessary to ensure that the AUPs are performed effectively and within the established timeframes.
 - d. In light of the migration of payroll servicing responsibilities under the e-Payroll initiative, the payroll provider as of March 31 shall be responsible for assuring that the AUPs are performed and reported upon.
 - e. The report on the performance of the AUPs shall be submitted no later than *October 1*. To the extent practical, management's comments on the auditor's findings shall be included in the report.
 - f. If a specific AUP cannot be performed, the auditor must propose to OPM's Office of the Inspector General (OIG) in writing no later than *July 15* at the address in 10.g. an alternative procedure that would accomplish the AUPs' objectives. In addition, auditors shall notify OPM's OIG by *September 1* of any other anticipated difficulties in completing the procedures and submitting the required report by October 1.
 - g. Agencies shall submit three copies of the report on the application of these procedures to OPM's OIG at the address below or, alternatively, may email the

report as a PDF attachment to MREsser@opm.gov, with a cc: to Finance@opm.gov.

U.S. Office of Personnel Management
Office of Inspector General
Room 6400
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AGREED-UPON PROCEDURES

**RETIREMENT, HEALTH BENEFITS, AND LIFE INSURANCE
WITHHOLDINGS/CONTRIBUTIONS AND SUPPLEMENTAL SEMIANNUAL
HEADCOUNT REPORT SUBMITTED TO THE
OFFICE OF PERSONNEL MANAGEMENT**

OBJECTIVE

Assist the Office of Personnel Management (OPM) in assessing the reasonableness of Retirement, Health Benefits, and Life Insurance withholdings and/contributions as well as enrollment information submitted via the Semiannual Headcount Report.

BACKGROUND

The Agreed-Upon Procedures (AUPs) relating to the submission to OPM of withholdings/contributions for Retirement, Health Benefits, and Life Insurance relate to the use of the Retirement and Insurance Transfer System (RITS). RITS is the authorized method of submission of withholding and contribution information to OPM. Agency payroll offices (APOs) that are technically unable to transmit benefit information to OPM via RITS may continue to submit withholdings and contributions via the hard copy SF 2812 (and SF 2812-A), "Report of Withholdings and Contributions for Health Benefits, Life Insurance and Retirement to OPM." The AUPs to be applied to those APOs submitting withholdings and contributions to OPM via the hard copy SF 2812 forms are similar to those for RITS.

PROCEDURES

Obtain the APO's March Semiannual Headcount Report submitted to OPM and a summary of RITS submissions for the current fiscal year. For Retirement, Health Benefit, and Life Insurance select any three RITS submissions for the current fiscal year, one of which coincides with the March 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.

1. Compare RITS submission data with payroll information by performing the following procedures:
 - 1.a. Recalculate the mathematical accuracy of the payroll information. For cross-servicing agencies, if the internal controls are the same for all agencies serviced, it is only necessary to perform this procedure for one agency.

- 1.b. Recalculate the mathematical accuracy of each RITS submission for the payroll information selected in step 1.a.
- 1.c. Compare the employee withholding information shown on the payroll information obtained in step 1.a. for Retirement, Health Benefits, and Life Insurance (as adjusted for reconciling items) to the related amounts shown on the RITS submission for the corresponding period.

Report any differences for Retirement, Health Benefits, and Life Insurance that are over 1 percent of the total reported for each of the three categories. Obtain and report explanations for those differences above the 1% threshold.

- 2.a. Randomly select a total of 25 individuals who were on the payroll system for all three of the RITS submissions selected and 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 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).
- 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 Benefit Registration Form (SF-2809) covering the pay periods in the RITS submissions chosen (note: a new SF-2809 is only needed if an employee is changing health benefit plans, therefore the form could be many years old.); and
 - the Life Insurance Election Form (SF-2817) covering the pay periods in the RITS submission chosen (note: a new SF-2817 is only needed if an employee is changing life insurance coverage, therefore the form could be many years old).
- 2.c. Via the agency personnel office, request a report from Employee Express for any Health Benefit transactions in that system for the individuals selected in step 2.a. Compare date of transaction with date on the certified copy of the SF-2809 requested in step 2.b. Confirm that the health benefit information to be used in the step 2.g. covers the pay periods in the RITS submissions chosen.
- 2.d. Compare the base salary used for payroll purposes and upon which withholdings and contributions generally are based with the base salary reflected on the employees' SF-50. Report any differences.

- 2.e. For Retirement, compare the plan code on the employees' SF-50 to the plan code used in the payroll system. Report any differences.
- 2.f. Calculate the retirement amount to be withheld and contributed for the plan code from the employees' SF-50, based upon the official withholding and contribution rates required by law. Compare to actual amounts withheld and contributed. Report any differences.
- 2.g. For Health Benefits, compare the employee withholdings and agency contributions with the official subscription rates issued by OPM for the plan and option elected by the employees, as documented by a Health Benefits Registration Form (SF-2809) in the employees' OPF or Employee Express. Report any differences.
- 2.h. For Life Insurance, confirm that Basic Life Insurance was elected by the employees, as documented by a Life Insurance Election Form (SF-2817), in his/her OPF. Report any differences.
- 2.i. Calculate the withholding and contribution amounts for basic life insurance using the following:
- For employee withholdings: Round the employee's annual base salary to the nearest thousand dollars and add \$2,000. Divide this total by 1,000 and multiply by \$0.155 (for APOs with biweekly pay periods) or \$0.3358 (for APOs with monthly pay periods).
 - For agency contributions: Divide the employee withholdings calculated above by two.
- Compare to actual amounts withheld and contributed. Report any differences.
- 2.j. Also, for Life Insurance, compare optional coverage elected as documented by an SF-2817 in the employees' OPF with optional coverage documented in the payroll system. Report any differences.
- 2.k. Calculate the withholding amounts for optional life insurance using the following:
- For Option A: Determine the employee's age group using the age groups provided for Option A in the FEGLI Program Booklet. The withholding amount is the rate listed in the FEGLI Program Booklet for that age group. Compare to amount withheld. Report any differences.
 - For Option B: Inspect the SF-2817 to determine the number of multiples chosen for Option B. Determine 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 1000, divide by 1000, and multiply by the rate for the age group. Multiply this amount by the number of multiples chosen. Compare to amount withheld. Report any differences.

- For Option C: Inspect the SF-2817 to determine the number of multiples chosen for Option C. Determine 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. Compare to amount withheld. Report any differences.
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 for testing above.

Request SF-2809s covering the pay periods in the RITS submissions chosen, either in electronic or hard copy format, from the selected employees' OPFs. Hard copies can be originals or certified copies. Via the agency personnel office, request a report from Employee Express for any Health Benefit transactions in that system for the individuals selected. Inspect the documentation to determine that health benefit coverage was not elected. This can be determined in the following ways:

- absence of an SF-2809 in the OPF and no election of coverage made through Employee Express; or
- an SF-2809 in the OPF with Section E checked (indicating cancellation of coverage) and no later election of coverage through Employee Express; or
- cancellation of coverage through Employee Express and no later election of coverage with an SF-2809.

Report any exceptions.

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 for testing above. Request the SF-2817s covering the pay periods in the RITS submissions chosen, either in electronic or hard copy format, from the selected employees' OPFs. Hard copies can be originals or certified copies. Inspect the SF-2817 to determine that the employee waived or cancelled Basic Life Insurance coverage. Report any exceptions.
5. Calculate the headcount reflected on the Semiannual Headcount Report selected for testing above, as follows.
 - 5.a. Obtain existing payroll information supporting the selected Supplemental Semiannual Headcount report. If existing payroll data is not available, have a payroll system query performed that summarized detailed payroll data supporting the 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.
 - Aggregate Base Salary.

- 5.b. Recalculate the Headcount reflected on the 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.
- 5.c. Compare the results of payroll information from step 5.a. with the calculated headcount from step 5.b. to the information shown on the Semiannual Headcount Report.
- 5.d. Report any differences (i.e., gross rather than net) greater than 2 percent between the headcount reporting on the agency's Semiannual Headcount Report and payroll information from step 5.a. and the calculated Headcount from step 5.b.
6. Calculate employer and employee contributions for Retirement, Health Benefits, and Life Insurance.
 - 6.a. Calculate Retirement withholdings and contributions for the three pay periods selected, as follows:
 - i. Multiply the CSRS and FERS payroll base by the withholding and employer contribution rates required by law.
 - ii. Compare the calculated totals with related amounts shown on the RITS submissions. Report any variances (i.e., gross rather than net) between the calculated amounts and the amounts reported on the RITS submissions greater than 5 percent of the amounts on the RITS submission.
 - 6.b. Calculate employee withholdings and employer contributions for Health Benefits for the three pay periods selected, as follows:
 - i. Multiply the number of employees enrolled in each Health Benefits plan and plan option by the employee withholdings and employer contributions for the plan and option.
 - ii. Sum the totals in step 6.b.i. and compare the result with the Health Benefit withholding and contribution amounts shown on the RITS submissions. Report any variances (i.e., gross rather than net) between the calculated amounts and the amounts reported on the RITS submissions greater than 5 percent of the amounts on the RITS submission.
 - 6.c. Calculate the Basic Life Insurance employee withholdings and employer contributions for the three pay periods selected as follows:

- i. Have APO personnel perform a payroll system query to determine the total number of employees with Basic Life Insurance Program coverage and the aggregate annual basic pay for all employees with Basic Life Insurance.
 - ii. For employee withholdings: Add the product of 2,000 times the number of employees with Basic Life Insurance coverage to the aggregate annual basic pay for all employees selected. This represents the estimated total Basic Life Insurance coverage. Divide this total by 1,000 and multiply by \$0.155 (for APOs with biweekly pay periods) or \$0.3358 (for APOs with monthly pay periods).
 - 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.
 - iv. For agency contributions: Divide the results of step 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 and report any differences (i.e., gross rather than net) between the estimate and the amount reported on the RITS submission greater than 5 percent of the amounts on the RITS submission.
- 6.d. Calculate the Option A, Option B and Option C Life Insurance coverage withholdings for the three pay periods selected by using detail payroll reports used to reconcile the RITS reports in Step 1. 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. Note: While similar to step 2.k., the calculation here 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.k.
- 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. Report any differences (i.e., gross rather than net) greater than 2 percent of the amounts on the RITS submission.
 - ii. Divide 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 1000, divide by 1000, multiply by the rate for the age group, multiply this by the number of multiples:

(Annual rate of basic pay (rounded up)/1000*rate*multiples).

For Option C, multiply the rate for the age group by the number of multiples chosen for each employee. Report any differences (i.e. gross rather than net) greater than 2 percent of the amounts on the RITS submission for Option B and/or Option C.

**ILLUSTRATIVE INDEPENDENT ACCOUNTANT'S REPORT ON THE
APPLICATION OF AGREED-UPON PROCEDURES**

To the Inspector General
U.S. Office of Personnel Management:

We have performed the procedures described below (or in the attachment), which were agreed to by the Inspector General and Chief Financial Officer of the U.S. Office of Personnel Management (OPM), solely to assist with respect to the employee withholdings and employer contributions reported on the Report of Withholdings and Contributions for Health Benefits, Life Insurance, and Retirement for the payroll periods ended [state dates] and Semiannual Headcount Report as of [state date]. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Inspector General and Chief Financial Officer of OPM. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Insert the following unless the procedures and findings are in an attachment.

The procedures and the associated findings are as follows:

[Insert procedures and findings]

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on the withholdings and contributions for Health Benefits, Life Insurance, and Retirement, and the Headcount Report of the [name of agency or agencies]. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

[Signature]

[Date]

cc: Chief Financial Officer of OPM