

LEONARD G. BIRNBAUM AND COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS

WASHINGTON OFFICE
6285 FRANCONIA ROAD
ALEXANDRIA, VA 22310-2510

703-922-7622
FAX: 703-922-8256

LESLIE A. LEIPER
LEONARD G. BIRNBAUM
DAVID SAKOFS
CAROL A. SCHNEIDER
DORA M. CLARKE

WASHINGTON, DC
SUMMIT, NEW JERSEY
REDWOOD CITY, CALIFORNIA

**Independent Accountant's Report on the Application of Agreed-Upon Procedures
AUD/FM-06-40**

The Honorable Patrick E. McFarland
U.S. Office of Personnel Management:

We have performed the procedures described in Attachment A, 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 January 7 and January 21 and the Semiannual Headcount Report as of February 18, 2006. This engagement to apply agreed-upon procedures was performed in accordance with attestation 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 in Attachment A either for the purpose for which this report has been requested or for any other purpose.

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 Semiannual Headcount Report of the U.S. Department of State. 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.



Leonard G. Birnbaum and Company, LLP
September 19, 2006

cc: Mr. Clarence C. Crawford, Chief Financial Officer, Office of Personnel Management

Agreed – Upon Procedures

Procedure	Findings/Comments
<p>1. Obtained the agency payroll office's (APO) March 2006 Semiannual Headcount Report, dated February 18, 2006, submitted to OPM and a summary of SF-2812 submission for the current fiscal year.</p>	Completed.
<p>2. Selected three SF-2812s submitted for the current fiscal year, one of which coincides with the March 2006 Semiannual Headcount Report.</p>	Completed. Pay periods ended January 7, January 21, and February 18, 2006, which coincides with the March 2006 Semiannual Headcount Report.
<p>3. Obtained payroll information for the periods covered by the SF-2812s selected.</p> <p>a. Recalculated the mathematical accuracy of the payroll information.</p> <p>b. Recalculated the mathematical accuracy of each SF-2812 selected.</p> <p>c. Compared the employee withholding information shown on the payroll information reviewed in step 3.a. for Retirement, Health Benefits, and Life Insurance to the related amounts shown on the SF-2812s for the corresponding period.</p> <p>d. Obtained explanations for differences over 1 percent of the total reported for each of the three categories.</p>	<p>Completed.</p> <p>Completed.</p> <p>Completed.</p> <p>No differences were noted.</p>
<p>4. Randomly selected a total of 25 individuals who were on the payroll system for all three of the SF-2812s selected for testing above and that met the following criteria:</p> <ul style="list-style-type: none"> • Covered by Civil Service Retirement System (CSRS) or the Federal Employee 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). 	Completed.

Agreed – Upon Procedures

Procedure	Findings/Comments
<p>5. Reviewed the following documents from the Official Personnel File (OPF) for each individual selected in step 4:</p> <ul style="list-style-type: none"> • All Notifications of Personnel Actions (SF-50) covering the pay periods in the SF-2812 submissions chosen; • The Health Benefits Registration Form (SF-2809) covering the pay periods in the SF-2812 submissions chosen; and • The Life Insurance Election Form (SF-2817) covering the pay periods in the SF-2812 submissions chosen. 	<p>Completed.</p> <p>Completed.</p> <p>Completed.</p>
<p>6. Requested a report from Employee Express, via the agency personnel office, for any Health Benefits transactions in that system for the individuals selected in step 4. Compared date of transaction with date on the SF-2809 reviewed in step 5. Confirmed that the health benefit information to be used in step 10 covers the pay periods in the SF-2812 submissions chosen.</p>	<p>The APO was unable to provide the auditors with an Employee Express Report that included all of the Health Benefits transactions in the system for the individuals selected for testing. However, by using alternative procedures, we were able to verify that one employee that was not included in the report provided by the APO had in fact changed his health insurance coverage via Employee Express.</p> <ul style="list-style-type: none"> • One out of 25 employees did not have SF-2809 in the OPF.
<p>7. Compared 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.</p>	<p>Completed. No differences were noted.</p>
<p>8. For Retirement, compared the plan code on the employees' SF-50 to the plan code used in the payroll system.</p>	<p>Completed. No differences were noted.</p>
<p>9. Calculated the retirement amount to be withheld and contributed for the plan code from the employees' SF-50, based upon the official withholdings and contribution rates required by law. Compared to actual amounts withheld and contributed.</p>	<p>Completed. No differences were noted.</p>

Agreed – Upon Procedures

Procedure	Findings/Comments
<p>10. For Health Benefits, compared 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.</p>	<p>Completed.</p> <ul style="list-style-type: none"> • One out of 25 employees did not have SF-2809 in the OPF.
<p>11. For Life Insurance, confirmed that the Basic Life Insurance was elected by the employees, as documented by a Life Insurance Election Form (SF-2817) in the OPF.</p>	<p>Completed.</p> <ul style="list-style-type: none"> • One out of 25 employees' Snap Report election coverage did not agree to the OPF.
<p>12. Calculated the withholding and contribution amounts for Basic Life Insurance Election Form (SF-2817) in the OPF.</p> <p>a. For employee withholdings: Rounded the employee's annual base salary to the nearest thousand dollars and added \$2,000. Divided this total by 1,000 and multiplied by \$0.15 (for APOs with biweekly pay period).</p> <p>b. For agency contributions: Divided the employee withholdings calculated above by two.</p> <p>c. Compared to actual amounts withheld and contributed.</p>	<p>Completed.</p> <p>Completed.</p> <p>Completed. No differences were noted.</p>
<p>13. For Life Insurance, compared optional coverage elected as documented by an SF-2817 in the employees' OPF with optional coverage documented in the payroll system.</p>	<p>Completed.</p> <ul style="list-style-type: none"> • One out of 30 employees did not have SF-2817 in the OPF.
<p>14. Calculated the withholding amounts for optional Life Insurance using the following:</p> <ul style="list-style-type: none"> • For Option A: Determined 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. Compared to amount withheld. 	<p>Completed. No differences were noted.</p> <ul style="list-style-type: none"> • One out of ten employees did not have the required election form in the OPF.

Agreed – Upon Procedures

Procedure	Findings/Comments
<ul style="list-style-type: none"> • For Option B: Reviewed the SF-2817 determined 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. Rounded the employee's annual rate of basic pay up to the next 1,000, divided by 1,000, and multiplied by the rate for the age group. Multiplied this amount by the number of multiples chosen. Compare to amount withheld. • For Option C: Reviewed the SF-2817 and determined the number of multiples chosen for Option C. Determined the employee's age group using the age groups provided for Option C in the FEGLI Program Booklet. Multiplied the rate for the age group by the number of multiples chosen. Compared to amount withheld. 	<p>Completed. No differences were noted.</p> <p>Completed. No differences were noted.</p>
<p>15. Randomly selected a total of ten employees who have no Health Benefits withholdings from the payroll information corresponding to the three SF-2812s selected for testing above. Reviewed copies of the SF-2809s from the employees' OPF covering the pay periods in the SF-2812s chosen. Via the agency personnel office, requested a report from Employee Express for any Health Benefits transactions in that system for the individual selected. Reviewed the documentation to determine that health benefits coverage was not elected. This was determined in the following ways:</p> <ul style="list-style-type: none"> • Absence of a SF-2809 in the OPF and no election of coverage made through Employee Express; or • An SF-2809 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 a SF-2809. 	<p>Completed.</p> <p>Although six out of 10 employees did not have an SF-2809 in the OPF, absence of SF-2809 and no election of coverage made through Employee Express is considered acceptable.</p>

Agreed – Upon Procedures

Procedure	Findings/Comments
<p>16. Randomly selected a total of ten employees who have no Life Insurance withholdings from the payroll information corresponding to the three SF-2812s selected for testing above and reviewed copies of the SF-2817s from the employees' OPF covering the pay periods in the SF-2812 submissions chosen. Reviewed the SF-2817 to determine that the employee waived or cancelled Basic Life Insurance coverage.</p>	<p>Completed.</p> <ul style="list-style-type: none"> • Two out of 10 employees did not have an SF-2817 in the OPF.
<p>17. Calculated the headcount reflected on the Semiannual Headcount Report selected for testing above, as follows:</p> <p>a. Obtained a payroll system query that summarized detailed payroll data supporting the Semiannual Headcount Report, as follows:</p> <ul style="list-style-type: none"> • 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 <p>b. Recalculated the headcount reflected on the Semiannual Headcount Report by: (1) estimating the number of employees per payroll register page by counting the employees listed on several pages; (2) counting the number of pages in the payroll register; and (3) multiplying the number of employees per page by the number of pages.</p> <p>c. Compared the results of payroll information from Step 17.a with the calculated headcount from step 17.b to the information shown on the Semiannual Headcount Report.</p> <p>d. Determined whether there were any differences (i.e., gross rather than net) greater than 2 percent between the headcount reporting on the agency's Semiannual Headcount Report and the payroll information from step 17.a and calculated headcount from step 17.b.</p>	<p>Completed.</p> <p>Completed.</p> <p>Completed.</p> <p>No differences were noted.</p>

Agreed – Upon Procedures

Procedure	Findings/Comments
<p>18. Calculated employer and employee contributions for Retirement, Health Benefits, and Life Insurance.</p> <p>a. Calculated Retirement withholdings and contributions for the three pay periods selected, as follows:</p> <p>i. Multiplied the CSRS and FERS payroll base by the withholding and employer contribution rates required by law.</p> <p>ii. Compared the calculated totals with related amounts shown on the SF-2812s. Determined whether there were variances (i.e., gross rather than net) between the calculated amounts reported on the SF-2812s greater than 5 percent.</p> <p>b. Calculated employee withholdings and employer contributions for Health Benefits for the three pay periods selected, as follows:</p> <p>i. Multiplied 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.</p> <p>ii. Added the totals in Step 18.b.i and compared the result with the Health Benefits withholdings and contribution amounts shown on the SF-2812s. Determined whether there were any variances (i.e., gross rather than net) between the calculated amounts and the amounts reported on the SF-2812s greater than 5 percent.</p> <p>c. Calculated the Basic Life Insurance employee withholdings and employer contributions for the three pay periods selected as follows:</p> <p>i. Had 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.</p>	<p>Completed.</p> <p>Completed. No material differences were noted.</p> <p>Completed.</p> <p>Completed. No material differences were noted.</p> <p>Completed.</p>

Agreed – Upon Procedures

Procedure	Findings/Comments
<p>ii. For employee withholdings: added 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 represented the estimated total Basic Life Insurance coverage. Divided this total by 1,000 and multiplied by \$0.15 (for APOs with biweekly pay periods).</p> <p>iii. Compared the result in step 18.c.ii to the withholdings for Basic Life Insurance coverage reported on the SF-2812s. Determined whether there were any differences (i.e., gross rather than net) between the estimate and the amount of withholdings reported on the SF-2812 greater than 5 percent.</p> <p>iv. For agency contributions: Divided the results of step 18.c.ii by two. This approximates agency contributions, which were one-half of employee withholdings. Compared this result to the amount reported on the SF-2812s. Determined whether there were any differences (i.e., gross rather than net) between estimated and the amount reported on the SF-2812s greater than 5 percent.</p>	<p>Completed.</p> <p>Completed. No material differences were noted.</p> <p>Completed. No material differences were noted.</p>
<p>d. Calculated the Option A, Option B, and Option C Life Insurance coverage withholdings for the three pay periods selected by using detail payroll reports used in step 3. In addition to the information used for step 3, the reports included the employee's date of birth, annual rate of basic pay, and number of multiples selected for Option B and C.</p> <p>i. Multiplied 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. Determined whether there were any differences (i.e., gross rather than net) greater than 2 percent.</p>	<p>Completed. No material differences were noted.</p>

Agreed – Upon Procedures

Procedure	Findings/Comments
<p>ii. Divided the reports for Option B and Option C insurance into the age group shown in the FEGLI Program Booklet. For Option B, rounded the employee's annual rate of basic pay up to the next 1,000, divided by 1,000 multiplied by the rate for the age group, multiplied this by the number of multiples (Annual rate of basic pay (rounded up)/1,000*rate*multiple). For Option C, multiplied the rate for the age group by the number of multiples chosen for each employee. Determined whether there were any differences (i.e., gross rather than net) greater than 2 percent of the amount on the SF-2812s for Option B and Option C.</p>	Completed. No material differences were noted.