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**Independent Accountant's Report on the Application of Agreed-Upon Procedures**

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 8, 2005, January 22, 2005, and February 19, 2005, and the Semiannual Headcount Report as of February 19, 2005. This engagement to apply the 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 Headcount Report of the 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 1, 2005

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

## Agreed-Upon Procedures

Procedures	Findings/Comments
1. Obtained the agency payroll office's (APO) March Semiannual Headcount Report, dated February 19, 2005, submitted to OPM and a summary of SF-2812 submissions for the current fiscal year.	Completed.
2. Selected three SF-2812s submitted for the current fiscal year, one of which coincides with the March Semiannual Headcount Report.	Payroll periods ended January 8, January 22, and February 19, 2005, which coincides with the March 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. No differences were noted.</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"> <li>• covered by Civil Service Retirement System (CSRS) or the Federal Employee Retirement System (FERS);</li> <li>• enrolled in the Federal Employees Health Benefits Program;</li> <li>• covered by Basic Life Insurance; and</li> <li>• covered by at least one Federal Employees Group Life Insurance (FEGLI) optional coverage (Option A, B, or C).</li> </ul>	Completed.

### Agreed-Upon Procedures

Procedures	Findings/Comments
<p>5. Reviewed the following documents from the Official Personnel File (OPF) for each individual selected in step 5:</p> <ul style="list-style-type: none"> <li>• all Notifications of Personnel Actions (SF-50) covering the pay periods in the SF-2812 submissions chosen;</li> <li>• the Health Benefits Registration Form (SF-2809) covering the pay periods in the SF-2812 submissions chosen; and</li> <li>• the Life Insurance Election Form (SF-2817) covering the pay periods in the SF-2812 submissions chosen.</li> </ul>	<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>Requested a report from Employee Express; however, have not received the report from OPM. Two changes may have been made through Employee Express, but we were not able to confirm.</p>
<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. One out of 25 employees did not have the correct SF-50 in their OPF.</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>
<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. Two out of 25 employees did not have the correct SF-2809 in their OPF. Did not receive Employee Express report; therefore, the lack of forms may not necessarily be considered exceptions as these employees could have changed their health benefit plan via Employee Express.</p>

## Agreed-Upon Procedures

Procedures	Findings/Comments
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 his or her OPF.	Completed. Four out of 25 employees did not have the required election form in their OPF.
<p>12. Calculated the withholding and contribution amounts for Basic Life Insurance using the following:</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 per 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>
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.	Completed. Four out of 25 employees did not have the required form in their OPF.

### Agreed-Upon Procedures

Procedures	Findings/Comments
<p>14. Calculated the withholding amounts for Optional Life Insurance using the following:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• For Option B: Reviewed the SF-2817 to determine the number of multiples chosen for Option B. Determined 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. Compared to amount withheld.</li> <li>• 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.</li> </ul>	<p>Completed. Two out of ten employees did not have the required form in their OPF.</p> <p>Completed. One out of ten employees did not have the required form in the OPF.</p> <p>Completed. One out of ten employees did not have the required form in the OPF.</p>

### Agreed-Upon Procedures

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<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' OPFs 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 individuals 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"> <li>• absence of a SF-2809 in the OPF and no election of coverage made through Employee Express; or</li> <li>• an SF-2809 with Section E checked (indicating cancellation of coverage) and no later election of coverage through Employee Express; or</li> <li>• cancellation of coverage through Employee Express and no later election of coverage with a SF-2809.</li> </ul>	<p>Completed. One out of ten employees did not have the required form in the OPF to verify the employee cancelled the enrollment.</p>
<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' OPFs 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. Four out of ten employees did not have the required SF-2817 in their OPF.</p>

Agreed-Upon Procedures

Procedures	Findings/Comments
<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"> <li>• Benefit category (see Semiannual Headcount Report)</li> <li>• Dollar Amount of withholdings and contributions</li> <li>• Number Enrolled (deductions made/no deductions)</li> <li>• Central Personnel Data File Code</li> <li>• Aggregate Base Salary</li> </ul> <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>
<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>	

## Agreed-Upon Procedures

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<ul style="list-style-type: none"> <li>i. Multiplied the CSRS and FERS payroll base by the withholding and employer contribution rates required by law.</li> <li>ii. Compared the calculated totals with related amounts shown on the SF-2812s. Determined whether there were any variances (i.e., gross rather than net) between the calculated amounts reported on the SF-2812s greater than 5 percent.</li> </ul>	<p>Completed.</p> <p>Completed. Variances higher than 5 percent were noted in the Regular Offset and Special Offset withholdings for the three pay periods tested. The aggregate differences for the three pay periods amounted to \$3,234.70.</p>
<ul style="list-style-type: none"> <li>b. Calculated employee withholdings and employer contributions for Health Benefits for the three pay periods selected, as follows: <ul style="list-style-type: none"> <li>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.</li> <li>ii. Added the totals in Step 18.b.i and compared the result with the Health Benefits withholding 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.</li> </ul> </li> </ul>	<p>Completed.</p> <p>Completed. No material differences were noted.</p>
<ul style="list-style-type: none"> <li>c. Calculated the Basic Life Insurance employee withholdings and employer contributions for the three pay periods selected as follows: <ul style="list-style-type: none"> <li>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.</li> <li>ii. For employee withholdings: Added the product of 2,000 times the number of employees with Basic</li> </ul> </li> </ul>	<p>Completed.</p> <p>Completed.</p>

## Agreed-Upon Procedures

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<p>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 the estimated and the amount reported on the SF-2812s greater than 5 percent.</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 Options 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</p>	<p>Completed. No material differences were noted.</p> <p>Completed. No material differences were noted.</p> <p>Completed.</p> <p>Completed. No differences were noted.</p>

Agreed-Upon Procedures

Procedures	Findings/Comments
<p>(i.e., gross rather than net) greater than 2 percent.</p> <p>ii. Divided the reports for Option B and Option C insurance into the age groups 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*multiples).</p> <p>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>	<p>Completed.</p> <p>Testing of Option B: One multiple for pay period ending January 8, 2005, is higher than 2 percent due mainly to the differences found in the 55-59 (\$2,175) and 60-65 (\$38) age categories, which included 207 and 109 employees, respectively.</p> <p>Testing of Option C: Five multiples revealed that in one of the pay periods tested, there was a difference over 5 percent due mainly to the difference found in the 50-54 (\$396) age category, which included 192 employees.</p>