

September 27, 2006



# Financial Management

## Report on Civilian Payroll and Withholding Data for FY 2006 (D-2006-119)

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### **Acronyms**

DCPS	Defense Civilian Pay System
DFAS	Defense Finance and Accounting Service
DOE	Department of Energy
FEGLI	Federal Employees Group Life Insurance
HHS	Health and Human Services
OPF	Official Personnel File
OPM	Office of Personnel Management
RITS	Retirement Insurance Transfer System



**INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
400 ARMY NAVY DRIVE  
ARLINGTON, VIRGINIA 22202-4704**

September 27, 2006

**MEMORANDUM FOR DISTRIBUTION**

**SUBJECT: Report on Civilian Payroll and Withholding Data for FY 2006 (Report No. D-2006-119)**

We are providing this report for review and comment. The Army, Navy, National Guard Bureau, Department of Energy, and Department of Health and Human Services did not respond to the **draft** report; however, we considered comments from the Department of the Air Force and the Defense Finance and Accounting Service when preparing the final report.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. The Defense Finance and Accounting Service comments were not responsive. We request that the Army, Navy, National Guard Bureau, Department of Energy, and Department of Health and Human Services provide comments on the recommendations by November 1, 2006.

If possible, please send management comments in electronic format (Adobe Acrobat file only) to [Auddfs@dodig.mil](mailto:Auddfs@dodig.mil). Copies of the management comments must contain the actual signature of the authorizing official. We cannot accept the / Signed / symbol in place of the actual signature. If you arrange to send classified comments electronically, they must be sent over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. You should direct your questions to Mr. Douglas P. Neville at (703) 428-1061 (DSN 328-1061) or Mr. Thomas J. Winter at (703) 428-1082 (DSN 328-1082). For the report distribution, see Appendix C. The team members are listed inside the back cover.

By direction of the Deputy Inspector General for Auditing:

*Patricia A. Marsh*  
for Paul J. Granetto, CPA  
Assistant Inspector General  
Defense Financial Auditing  
Service

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## Department of Defense Office of Inspector General

Report No. D-2006-119

September 27, 2006

(Project No. D2006-D000FP-0073.000)

### Civilian Payroll and Withholding Data for FY 2006

#### Executive Summary

**Who Should Read This Report and Why?** This report is intended for the use of the Office of Personnel Management (OPM) Inspector General and its Chief Financial Officer 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. The report discusses the results of agreed-upon audit procedures developed for the OPM.

**Background.** Office of Management and Budget Bulletin No. 01-02, "Audit Requirements for Federal Financial Statements" October 16, 2000, requires all Federal agencies to review their civilian employee retirement, health benefits, and life insurance payroll withholdings. The OPM Inspector General and its Chief Financial Officer developed specific agreed-upon procedures to review civilian employees' withholdings and are, therefore, responsible for the adequacy of the agreed-upon procedures. We applied the agreed-upon procedures in accordance with the standards established by the American Institute of Certified Public Accountants. The FY 2006 agreed-upon procedures included DoD, Department of Energy (DOE) and Department of Health and Human Services (HHS), which recently transitioned its payroll functions to the Defense Finance and Accounting Service (DFAS). DoD had about 691,000 employees, DOE had about 11,000 employees, and HHS had about 65,000 employees. We did not audit the DOE or HHS personnel files. KPMG LLP auditors engaged to audit the DOE FY 2006 financial statements audited the DOE files and auditors for the HHS Inspector General audited the HHS files. Both parties provided their working papers to us. We entered into Memorandums of Understanding with the DOE and HHS to establish the scope of work to be performed by each agency.

**Results.** The payroll withholding amounts and total payroll amounts that DFAS reported to OPM did not exactly match the supporting detail that DFAS provided for our analysis. However, the differences are less than the thresholds prescribed in the agreed-upon procedures. This is a repeat issue reported in prior Inspector General audits. For details of the analysis, see the Independent Auditor's Report and the attachment.

**Withholding Data Discrepancies.** We selected a sample of 270 employees and compared their payroll withholdings to authorizations in their official personnel files. The sample of 270 consisted of 180 DoD employees, 45 DOE employees and 45 HHS employees. The comparison revealed that 19 of the 270 employee files sampled had a total of 24 discrepancies.

**Conclusion.** We performed the agreed-upon procedures specifically pertaining to payroll. We were not engaged to and did not perform an audit with the objective of expressing an opinion on the withholdings and contributions for health benefits, life insurance, retirement, or on the employee headcount of the DoD, DOE, and HHS.

Therefore, we are not expressing an opinion. We performed additional procedures based on generally accepted government auditing standards that we considered necessary in the circumstances.

We compared Forms 592, used for Payroll Certification and Summary, with the total payroll amounts in the payroll files. We found no material differences between the DFAS payroll footings and the corresponding amounts reported on Forms 592. This accuracy is a significant improvement from FYs 2003 and 2004, and a slight improvement from FY 2005. We compared Forms 2812, used for reporting the withholdings and contributions for health benefits, life insurance, and retirement, with data in the Defense Civilian Pay System. The differences were less than the reporting threshold criteria of 1 percent established in the agreed-upon procedures for these categories.

DFAS, DoD, DOE, and HHS should continue to strengthen management controls over the accuracy of payroll amounts withheld and remitted to the OPM. The withholding amounts we calculated while performing the agreed-upon procedures differed from the withholding amounts presented in the DFAS reports.

**Management Comments and Audit Response.** The Department of the Air Force concurred with the recommendation and took responsive corrective action. The Defense Finance and Accounting Service also concurred with Recommendation 3, but nonconcurred with the report's assertion of an internal control material weakness. Management comments on the weakness are not responsive. The Department of the Army, Department of the Navy, National Guard Bureau, Department of Energy, and Department of Health and Human Services did not provide comments on the draft of this report; therefore, we request that these organizations provide comments on this final report by November 1, 2006. The management comments are discussed in the Overview section of this report. We included the full text of the Defense Finance and Accounting Service comments in the Management Comments section of this report.

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## Independent Auditor's Report

### Overview

We performed the procedures described in the attachment, agreed to by the Office of Personnel Management (OPM) Inspector General and Chief Financial Officer. We performed the procedures solely to assist OPM with respect to 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 October 29, 2005, February 18, 2006, and March 4, 2006; and Semiannual Headcount Reports as of February 18, 2006, and March 4, 2006. We performed this engagement to apply agreed-upon procedures in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of OPM's Inspector General and its Chief Financial Officer. Consequently, we make no representation regarding the attachment either for the purpose for which this report has been requested or for any other purpose.

**Comparison of Amounts Withheld and Remittance to OPM.** In recent years the Defense Finance and Accounting Service (DFAS) and supporting DoD organizations have improved management controls over the accuracy of the payroll amounts withheld and reported to OPM. We performed the agreed-upon procedures to compare the amounts reported to OPM with the amounts actually withheld from employees' pay. DFAS captures the data necessary to perform the agreed-upon procedures at the end of each pay period because the payroll system can be adjusted retroactively. The amounts differed slightly. However, the differences were less than the threshold criteria prescribed in the agreed-upon procedures.

**Internal Control Program.** We identified a material management control weakness; however, controls are improved over prior years. The weakness is discussed in Appendix A.

**Payroll File Totals.** The payroll withholding amounts DFAS reported to OPM for DoD, Department of Energy (DOE), and Department of Health and Human Services (HHS) differed from the totals of the DFAS database (the amounts actually withheld) by \$101,815 for an overall error rate of 0.028 percent. This is similar to the difference noted for FY 2005. The overall differences for retirement, health benefits, and life insurance were less than the reporting threshold criteria of 1 percent established in the agreed-upon procedures. However, the difference still represents a material internal control weakness because of the sensitivity of payroll to individual employees. Small individual differences can have a significant effect on the affected employees' earnings.

**Payroll Certification and Summary.** The total of the gross payroll amounts in the four DoD payroll files sampled,<sup>1</sup> plus the DOE and HHS files (a total of six files), was \$5.2 billion for the three pay periods we reviewed. The \$5.2 billion

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<sup>1</sup> The agreed-upon procedures require sampling of payroll files of 30,000 or more employees.



represents 11.5 percent of the annual gross pay for those payrolls. This agreed with the total of amounts documented on Form 592, "Payroll for Personnel Services Payroll Certification and Summary," originally provided by DFAS. Comparisons of payroll file totals with amounts reported to OPM showed a slight improvement from FY 2005.

**Comparison of Payroll System Data to Official Personnel Files.** We compared a sample of 270 employees' pay and withholdings from six payroll data files to documentary support recorded in Official Personnel Files (OPFs).<sup>2</sup> Of the 270 files, 180 represented DoD employees, 45 represented DOE employees, and 45 represented HHS employees. Auditors for DOE and HHS reviewed their respective files and we relied on their work. Of the 270 files reviewed, 19 had a total of 24 discrepancies. Table 1 shows the breakdown, by entity, of OPFs with discrepancies.

Entity	Number of OPFs	Number of Discrepancies
Army <sup>3</sup>	1	1
Navy <sup>4</sup>	1	1
Air Force <sup>5</sup>	1	1
National Guard Bureau	1	2
DOE	2	2
HHS	<u>9</u>	<u>13</u>
Total OPF-related errors <sup>5</sup>	15	20
DFAS computation errors	<u>4</u>	<u>4</u>
<b>Total</b>	<b>19</b>	<b>24</b>

Of the 24 discrepancies:

- 1 was in retirement withholding,
- 16 were in Federal Employees' Group Life Insurance (FEGLI),
- 4 were in health insurance, and
- 3 were in Thrift Savings Plan.

<sup>2</sup> Based on agreed-upon procedures, we selected a sample of 270 employees in accordance with criteria stated in OMB Bulletin 01-02. We did not project the results of our testing across the entire population.

<sup>3</sup> The documentation error may have occurred when the employee worked for another DoD agency before working for the Army.

<sup>4</sup> Personnel offices are taking corrective action.

<sup>5</sup> Errors caused by inconsistencies between OPF documents and DFAS payroll records.

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**Resolution of Discrepancies.** Initially, our review of the 270 employee files indicated 39 OPFs with what appeared to be discrepancies. We provided the affected entities with the names, social security numbers, and nature of the discrepancies for each of the files. The personnel offices and DFAS subsequently provided us with documentation that explained differences between data in 20 of the 39 OPFs and data in the Defense Civilian Pay System (DCPS). As a result, we reclassified 20 OPFs with explained inconsistencies to “samples corrected at a later date.”

Of the 20 we reclassified as correct:

- 1 was from Navy,
- 4 were from Air Force,
- 7 were from the Defense Agencies, and
- 8 involved DFAS computations.

The Army, Navy, National Guard Bureau, DOE, HHS, and DFAS were unable to clarify 19 out of 39 OPFs with 24 potential discrepancies despite additional documentation.

**Causes of Discrepancies.** Twenty of the unresolved discrepancies resulted from OPF documentation that did not support DFAS pay and withholding amounts because the documentation was not current. An additional four unresolved discrepancies resulted from computation errors in which documentation in the OPF was current but DFAS did not compute pay or withholdings correctly.

Our review showed that 13 of the 20 unresolved discrepancies were attributable to 9 HHS employees’ OPFs, out of 45 employee files selected from the HHS payroll database. This is a 20-percent error rate for the items sampled; however, the data analyzed is not statistically projectable. The error rate in the HHS sample is materially higher than the error rate for any other payroll database sampled. This represents a material internal control weakness

**Employee Head Count.** The agreed-upon procedures require us to compare the number of employees (headcount) in the payroll data files with the headcount in the Supplemental Semiannual Headcount Report. Our headcounts of the employees, using payroll data files, differed from the Supplemental Semiannual Headcount Reports by less than 1 percent, well within the 2-percent reporting threshold stated for headcount comparison in the agreed-upon procedures.

**Life Insurance.** Our recalculation of basic life insurance from the payroll data files supported the amounts reported to OPM for all DoD, DOE and HHS payroll offices with more than 30,000 employees. The overall calculated amount differed by \$0.14 million (0.83 percent) from the \$17.0 million DFAS reported to OPM. This is an improvement over the 1.11 percent difference reported for FY 2005. The difference between the amounts we calculated and the amounts DFAS

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reported to OPM did not exceed the 5-percent reporting threshold prescribed in the agreed-upon procedures.

**Health Insurance.** Our recalculations of health insurance withholdings from payroll data files supported the amounts DFAS reported to OPM. The amounts we recalculated from the payroll data files varied from the amounts DFAS reported to OPM by percentages between .001 and 1.60 percent in total, including employee withholding and agency contributions for each payroll file. This was much lower than the prescribed reporting threshold of 5 percent for health insurance variances.

**Comparison of Amounts Transferred.** We compared DFAS records with OPM documentation for the total dollar amounts transferred for the pay periods sampled. We found that all the amounts that DFAS reported equaled the amounts that OPM reported in the Retirement and Insurance Transfer System (RITS).

We performed the agreed-upon procedures specifically pertaining to payroll. We were not engaged to and did not perform an audit with the objective of expressing an opinion on the withholdings and contributions for health benefits, life insurance, retirement, and on the employee headcount of the DoD, DOE, and HHS. Therefore, we are not expressing an opinion. However, we performed additional procedures based on generally accepted government auditing standards that we determined necessary to evaluate the integrity of the data.

This report is intended solely for use by OPM's Inspector General and its Chief Financial Officer. This report is prepared in the format directed by Office of Management and Budget Bulletin No. 01-02, October 16, 2000, to address the results of the agreed-upon procedures. Accordingly, this report should not be used by those who have not agreed to the procedures and have not taken responsibility for the sufficiency of the procedures for their purposes. In FY 2002, OMB added additional requirements that we obtain management comments on this report.

In support of OPM's plan to consolidate Federal payroll providers, DFAS administered DOE and HHS payroll functions in FY 2006. Therefore, we were the principal auditors responsible for auditing DOE and HHS civilian payroll data. Auditors from KPMG LLP performed the review of the 45 DOE OPFs. HHS auditors performed the review of the 45 HHS OPFs. We relied on the work of these other auditors for our reporting purposes.

## **Recommendations, Management Comments, and Audit Response**

**1. We recommend that the Army, Navy, Air Force, National Guard Bureau, and Department of Energy continue to implement and improve personnel office payroll withholding procedures to ensure that payroll withholding authorizations support the amounts actually withheld.**

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**Management Comments.** The Air Force concurred with the recommendation and took responsive corrective action. The Army, Navy, National Guard Bureau, and Department of Energy did not comment on the recommendation. We request that they provide comments in response to the final report.

**2. We recommend that the Inspector General, Department of Health and Human Services, assist the Department of Health and Human Services' personnel offices to ensure that payroll withholding authorizations support the amounts withheld.**

**2. Management Comments.** The Inspector General, Department of Health and Human Services did not comment on the recommendation. We request that the Inspector General, Department of Health and Human Services provide comments in response to the final report.

**3. We recommend that the Defense Finance and Accounting Service implement internal controls over the computation of life insurance withholdings to ensure that elements of gross pay, that are includable in the pay base for computing life insurance withholding, are properly included.**

**Management Comments:** The Director, Business Management Office Standards and Compliance (the Director), responding for the Defense Finance and Accounting Service concurred with the recommendation but nonconcurred with the material internal control weakness. The Director stated that timekeepers use a Last Hour Indicator to tell the payroll system to include differential pay elements in the pay and withholding calculations, and that the problem essentially is a training issue for timekeepers. Accordingly, the Defense Finance and Accounting Service views the issue as an operational issue rather than a payroll system issue. Defense Finance and Accounting Service officials propose sending a memorandum to activity-level officials to advise them of the issue and stress proper procedures. Defense Finance Accounting Service officials also propose a training program for timekeepers on this issue.

**Audit Response:** The Director's comments are unresponsive. We do not agree that the withholding calculation errors do not result from a system weakness. The pay bases for retirement and life insurance withholdings both include regular earnings plus environmental and shift differential pay. We identified no examples of improper retirement withholdings that resulted from incorrect inclusion or exclusion of differential pay in the pay base. However, the payroll system incorrectly calculated the life insurance withholding for four sample items in which (a) the employee received shift and/or environmental differential pay, and (b) the life insurance withholding election and the data in the payroll system were in agreement.

The fact that the payroll system correctly calculated these employees' retirement withholdings demonstrates that the system can correctly calculate the base pay for both retirement and life insurance withholding regardless of whether the timesheet includes a Last Hour Indicator. Using the Last Hour Indicator can distort the life insurance withholding, which should be computed based on the amount actually earned. We will review this issue in more detail in a future audit.

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## **Agreed-Upon Procedures and Associated Findings (Attachment)**

This attachment contains the OPM agreed-upon procedures, the auditor actions, and the results of accomplishing those procedures.

**Procedure.** Obtain the Agency Payroll Office's March Semiannual Headcount Report submitted to OPM and a summary of the RITS submissions for the current fiscal year. For retirement, health benefits, 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.

**Auditor Action for DoD, DOE, and HHS.** We obtained the Semiannual Headcount Reports and the RITS submissions for each payroll database for the pay periods ended October 29, 2005, February 18, 2006, and March 4, 2006. We also obtained payroll database extracts for the three pay periods.

**Procedure 1.** Compare RITS submissions data with payroll information by performing the following procedures:

**Procedure 1.a.** Recalculate the mathematical accuracy of the payroll information. For cross-servicing agencies, if internal controls are the same for all agencies serviced, it is only necessary to perform this procedure for one agency.

**Auditor Action for DoD.** DFAS extracted all seven DoD payroll data files from the payroll history database and sent them to us by compact disc from the Pensacola, Florida, operating location. We totaled the 21 payroll data files (7 payroll files for 3 pay periods) with about \$1.7 billion in total pay and about 691,000 employees in each pay period. We also totaled the Civil Service Retirement System (CSRS), Federal Employees Retirement System (FERS), health insurance, and life insurance withholdings. According to DFAS, the total withholdings for DoD were approximately \$91.9 million for CSRS, \$25.2 million for FERS, \$140.2 million for health insurance, and \$45.2 million for life insurance.

**Auditor Action for DOE.** We performed the same procedure as for DoD. We totaled the three payroll data files (one payroll file for three pay periods) with about \$39.4 million in total pay and about 10,800 employees in each pay period. According to DFAS, the total withholdings for DOE were approximately \$15.4 million for CSRS, \$23.7 million for FERS, \$2.8 million for health insurance, and \$1.1 million for life insurance. The total gross payroll for DOE was \$118.1 million.

**Auditor Action for HHS.** We performed the same procedure as for DoD and DOE. We totaled the three payroll data files (one payroll file for three pay periods) with about \$181.8 million in total pay and about 65,000 employees in each pay period.

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According to DFAS, the total withholdings for HHS were approximately \$45.8 million for CSRS, \$133.7 million for FERS, \$12.4 million for health insurance, and \$4.4 million for life insurance. The total gross payroll for HHS was \$545.3 million.

**Procedure 1.b.** Recalculate the mathematical accuracy of each RITS submission for the payroll information selected in step 1.a.

**Auditor Action for DoD, DOE, and HHS.** We recalculated the mathematical accuracy of each RITS submission of payroll information for the pay periods ended October 29, 2005, February 18, 2006, and March 4, 2006. OPM provided copies of the RITS submission for the corresponding pay periods. Differences between DCPS payroll file totals and the corresponding amounts in the RITS submissions were within the 1-percent reporting threshold for these comparisons.

**Procedure 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 related amounts shown on the RITS submission for the corresponding period.

**Auditor Action for DoD, DOE, and HHS.** We compared the employee withholding totals to the related amounts shown on the RITS submission for retirement, health benefits, and life insurance, as evidenced by a Form 2812 that OPM produced from the RITS database. The payroll data file totals for CSRS, FERS, health benefits, and life insurance substantially equaled the amounts on the OPM Form 2812.

**Procedure 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 CSRS or FERS;
- enrolled in the Federal Employees Health Benefits Program;
- covered by Basic Life Insurance;
- covered by at least one FEGLI optional coverage (Option A, B, or C).

**Auditor Action for DoD, DOE, and HHS.** We randomly selected 25 individuals from each of the six payroll files with more than 30,000 employees (four files for DoD, one each for DOE and HHS) who were enrolled in the Federal retirement, health benefits, and FEGLI programs.

**Procedure 2.b.** Obtain the following documents, either in electronic or hard copy format, from the 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;

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- the Health Benefit Registration Form (SF-2809) covering the pay periods in the RITS submissions chosen (note: a new SF-2809 is needed only if an employee is changing health benefit plans; therefore, the form could be many years old);
  - the Life Insurance Election Form (SF-2817) covering the pay periods in the RITS submissions chosen (Note: a new SF-2817 is needed only if an employee is changing life insurance coverage; therefore, the form could be many years old).

**Auditor Action for DoD.** We obtained Notifications of Personnel Actions (SF-50), Health Benefit Registration Forms (SF-2809), and Life Insurance Election Forms (SF-2817) covering the pay period in the RITS submission chosen.

**Auditor Action for DOE and HHS.** We verified that the auditors for DOE and HHS obtained Notifications of Personnel Actions (SF-50), Health Benefit Registration Forms (SF-2809), and Life Insurance Election Forms (SF-2817) covering the pay period in the RITS submission chosen.

**Procedure 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 the date of transaction with the date on the certified copy of the SF-2809 requested in step 2.b. Confirm that the health benefit information to be used in step 2.g. covers the pay periods in the RITS submissions chosen.

**Auditor Action for DoD, DOE, and HHS.** We requested and received copies of health benefits elections (when applicable) from automated systems. We verified that the auditors for DOE and HHS received copies of health benefits elections (when applicable) from automated systems.

**Procedure 2.d.** Compare the base salary used for payroll purposes, and on which withholdings and contributions generally are based, with the base salary reflected on the employee's SF-50. Report any differences.

**Auditor Action for DoD, DOE, and HHS.** We compared the base salary used for payroll purposes with the base salary reflected on the employees' SF 50s. We found no discrepancies for this comparison.

**Procedure 2.e.** For retirement, compare the plan code on the employee's SF-50 to the plan codes used in the payroll system. Report any differences.

**Auditor Action for DoD, DOE, and HHS.** We compared the plan codes on the employees' SF-50s to the plan codes used in the payroll system. The DOE and HHS auditors performed the same procedure for the DOE and HHS employees' SF-50s. There were no differences between the retirement plan codes on the employees' SF-50s and the plan codes used in the payroll system.

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**Procedure 2.f.** Calculate the retirement amount to be withheld and contributed for the plan code from the employees' SF-50s, based on the official withholding and contribution rates required by law. Compare the actual amounts withheld and contributed. Report any differences.

**Auditor Action for DoD.** We calculated the retirement amount to be withheld and contributed for the plan codes from the employees' SF-50s, based on the official withholding and contribution rates required. We compared the actual amounts withheld and contributed for CSRS and FERS participants. There were no differences between the amounts withheld and our calculated amounts.

**Auditor Action for DOE.** DOE auditors calculated the retirement amount to be withheld and contributed for the plan codes from the employees' SF-50s, based on the official withholding and contribution rates required. They compared the actual amounts withheld and contributed for CSRS and FERS participants. They found no differences between the amounts withheld and their calculated amounts.

**Auditor Action for HHS.** HHS auditors calculated the retirement amount to be withheld and contributed for the plan codes from the employees' SF-50s, based on the official withholding and contribution rates required. They compared the actual amounts withheld and contributed for CSRS and FERS participants. They found one difference. The employee participated in the CSRS-offset retirement plan, for which the computation includes the health benefits withholding. The employee had a variance in the health benefits withholding, which generated the retirement discrepancy.

**Procedure 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 in the Health Benefits Registration Forms (SF-2809) in the employees' OPFs or Employee Express. Report any differences.

**Auditor Action for DoD, DOE and HHS.** We obtained the official subscription rates for health benefits issued by OPM for all plans and options available to Federal employees. We 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 in the Health Benefits Registration Forms (SF-2809) in the employees' OPFs. The DOE and HHS auditors performed the same procedure for their agencies' employees. We found no health withholding differences for DoD. The auditors for DOE found one withholding discrepancy of \$94.74. The HHS auditors found two withholding discrepancies with a total value of \$96.11.

**Procedure 2.h.** For life insurance, confirm that Basic Life Insurance was elected by the employee, as documented by a Life Insurance Election Form (SF-2817), in his/her OPF. Report any differences.

**Auditor Action for DoD, DOE, and HHS.** We compared Life Insurance Election Forms (SF-2817) with withholding data in DCPS. The DOE and HHS auditors performed the same procedure for the DOE and HHS sample employees. We found one exception for DoD, in which an employee had no life insurance



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withholding but the employee did not waive coverage. We found one similar exception for DOE. We did not find any exceptions for HHS for this comparison.

**Procedure 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 \$0.15 (for Agency Payroll Offices with biweekly pay periods) or \$0.3358 (for Agency Payroll Offices with monthly pay periods).
- For agency contributions: Divide the employee withholdings calculated above by two.

**Auditor Action for DoD, DEO, and HHS.** We calculated the withholding and contribution amounts for basic life insurance by rounding the employee's annual base salary to the nearest thousand dollars and adding \$2,000, then dividing the result by 1,000 and multiplying by \$0.15. We identified four discrepancies for this comparison. DFAS caused the discrepancies by not including the correct amount of shift and environmental differential pay in the pay base for withholding.

**Procedure 2.j.** Also, for life insurance, compare optional coverage elected as documented by an SF-2817 in the employee's OPF with optional coverage documented in the payroll system. Report any differences.

**Auditor Action for DoD.** We obtained SF-2817s directly from employees' OPFs and electronic personnel data files. We obtained optional life insurance coverage data from DCPS. We compared optional life insurance coverage elected as documented on the SF-2817s with optional life insurance coverage as recorded in DCPS. We identified one difference for DoD, with a total value of \$0.60.

**Auditor Action for DOE.** The DOE auditors did not identify any discrepancies for this comparison.

**Auditor Action for HHS.** The HHS auditors identified nine discrepancies for this comparison, with a total dollar value of \$101.28.

**Procedure 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 the 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 base pay up to the next 1,000, divide by 1,000,

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and multiply by the rate for the age group. Multiply this amount by the number of multiples chosen. Compare to the 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 the amount withheld. Report any differences.

**Auditor Action for DoD.** We calculated the amounts for optional life insurance as prescribed in Procedure 2.k. We identified three DoD optional life insurance discrepancies. The discrepancies resulted from DFAS errors in computing the FEGLI withholding base. The dollar value of these discrepancies totaled \$2.97.

**Auditor Action for DOE.** The DOE auditors performed the same procedures and did not identify any discrepancies for this comparison.

**Auditor Action for HHS.** The HHS auditors performed the same procedures and did not identify any discrepancies for this comparison.

**Procedure 3.** Randomly select a total of 10 employees who have no health benefit withholdings from the payroll information corresponding to the RITS submissions selected for testing.

Request SF-2809s covering the pay periods in the RITS submissions chosen, whether 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 benefits transactions in that system for 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.
- An SF-2809 in the OPF with Section E checked (indicating cancellation of coverage) and no later election of coverage through Employee Express.
- Cancellation of coverage through Employee Express and no later election of coverage with an SF-2809. Report any exceptions.

**Auditor Action for DoD.** We randomly selected 10 employees from each of the payroll data files who had no health benefits withholdings according to the payroll information corresponding to the RITS submissions selected for testing. We reviewed SF-2809s in the OPFs and electronic personnel databases. We found one discrepancy for DoD.

**Auditor Action for DOE.** We randomly selected 10 employees from the DOE payroll data file who had no health benefits withholdings according to the payroll

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information corresponding to the RITS submissions selected for testing. The DOE auditors reviewed SF-2809s in the OPFs and electronic personnel databases. We found no discrepancies for DOE for this procedure.

**Auditor Action for HHS.** We randomly selected 10 employees from the HHS payroll data file who had no health benefits withholdings according to the payroll information corresponding to the RITS submissions selected for testing. The HHS auditors reviewed SF-2809s in the OPFs and electronic personnel databases. The HHS auditors obtained transaction records from Employee Express (where necessary) to perform this procedure. We found no discrepancies for HHS for this procedure.

**Procedure 4.** Randomly select a total of 10 employees who have no life insurance withholding from the payroll information corresponding to the three RITS submissions selected for testing. Request the SF-2817s covering the pay periods in the RITS submissions chosen, in either 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 canceled Basic Life Insurance coverage. Report any exceptions.

**Auditor Action for DoD, DOE, and HHS.** We randomly selected 10 employees from each payroll data file who had no life insurance withholdings according to the DCPS payroll files. We requested and obtained the SF-2817s covering the pay periods corresponding to the RITS submissions chosen. We inspected the SF-2817s in all instances when the coverage was waived or canceled and found one DoD discrepancy for this procedure. The DOE auditors performed the same procedure and found one discrepancy for this procedure. The HHS auditors performed the same procedure and found no discrepancies for this procedure.

**Procedure 5.** Recalculate the headcount reflected on the Semiannual Headcount Report selected for testing above, as follows:

**Procedure 5.a.** Obtain existing payroll information supporting the selected Supplemental Semiannual Headcount Report selected for testing above, 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, and
- aggregate base salary.

**Procedure 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

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employees per page by the number of pages, or count (using computer audit routine) the number of employees on the payroll data file for the period.

**Procedure 5.c.** Compare the results of payroll information from step 5.a. with the calculated headcount from step 5.b. to information shown on the Semiannual Headcount Report.

**Procedure 5.d.** Report any differences (i.e. gross rather than net) greater than 2 percent between the headcount reported on the agency's Semiannual Headcount Report and payroll information from step 5.a. and the calculated headcount from step 5.b.

**Auditor Action for DoD, DOE, and HHS.** We obtained the DFAS Supplemental Semiannual Headcount Report for the pay periods ended February 18, 2006, for Payroll Offices 0800 and 1400 and March 4, 2006, for Payroll Offices 0100, 0500, 0600, and 1500. We compared those headcount reports to the payroll data files for the same pay periods. The counts in the payroll data files differed from the headcount reports by one employee (0.0001 percent), which is well within the reporting threshold of 2 percent.

**Procedure 6.** Calculate employer and employee contributions for retirement, health benefits, and life insurance.

**Procedure 6.a.** Calculate retirement withholdings and contributions for the three pay periods selected.

**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 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 submissions.

**Auditor Action for DoD, DOE, and HHS.** We calculated the total CSRS and FERS retirement employee withholdings and employer contributions for the three pay periods that we reviewed, and compared the recalculated totals with the amounts shown on the RITS submissions. The differences between the calculated totals of CSRS and FERS employee retirement withholdings and employer contributions, and the related amounts shown on the RITS submissions ranged from less than 0.01 percent to 1.7 percent, within the 5-percent reporting threshold.

**Procedure 6.b.** Calculate employee withholdings and employer contributions for health benefits for the three pay periods selected.

**Auditor Action for DoD, DOE, and HHS.** We obtained the number of employees enrolled in each health insurance plan for each payroll data file from data provided by DFAS as RITS submissions. We obtained the official subscription rates for health benefits issued by OPM for all plans and options available to Federal employees from the OPM website. We extended and added

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totals and compared the results with the health insurance withholdings and contribution amounts shown on the OPM Collection and Deposit System Standard Form 2812. None of the payroll offices had variances greater than the 5-percent reporting threshold for this comparison.

**Procedure 6.c.** Calculate the basic life insurance employee withholdings and employer contributions for the three pay periods selected.

**Auditor Action for DoD, DOE, and HHS.** We totaled the amount of gross pay of employees in each payroll data file who were eligible for basic life insurance. We divided this sum by 80 and multiplied by 2,087 to determine annual gross earnings of employees electing basic life insurance coverage. We used data from DCPS to obtain a count of the number of employees electing basic life insurance for each payroll data file. We multiplied 2,000 times the number of employees electing basic life and added the result to gross pay of employees who were eligible for basic life insurance. We multiplied the result by 15 cents per thousand to estimate basic life withholding, and compared the result with the withholding amounts shown on the Form 2812. We did not find any payroll offices variances greater than the 5-percent reporting threshold for this comparison. To estimate agency contributions, we divided the estimated basic life withholding by two and compared it to employer basic life contributions shown on Form 2812. All payroll offices' variances were less than the 5-percent reporting threshold for this comparison.

**Procedure 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.

**Procedure 6.d.i.** Multiply the number of employees in each age group by the appropriate rate for Option A in accordance with the rates for age groups provided in the FEGLI Program Booklet. Report any differences (i.e., gross rather than net) greater than 2 percent of the amounts on the RITS submission.

**Auditor Action for DoD, DOE, and HHS.** We 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. We totaled the results for each payroll data file and compared the results with the corresponding amounts on the RITS submissions. We determined that all variances were within the 2-percent reporting threshold for this comparison.

**Procedure 6.d.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 x rate x multiples). For Option C, multiply

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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.

**Auditor Action for DoD, DOE, and HHS.** We identified the payroll records for those employees who elected Options B and C, and those who elected each number of multiples of coverage within the allowable range (one through five multiples) using the payroll data files, for each payroll database for each of the three pay periods we reviewed. We multiplied the results by the official withholding rates shown in the FEGLI Program Booklet, times the number of multiples of coverage elected, to reconstruct the total withholdings for Options B and C. We compared this result with the amounts shown on the corresponding RITS submissions. We determined that all variances were within the 2-percent reporting threshold for this comparison.

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## Appendix A. Scope and Methodology

We totaled the DFAS payroll files that included about 767,000 DoD, DOE, and HHS employees with a total gross payroll of about \$5.6 billion for the 7 DoD payroll offices plus the DOE and HHS payroll offices for the 3 pay periods we reviewed. This total included all payroll offices regardless of the number of employees. The agreed-upon procedures require a review of only those payroll offices that service 30,000 or more employees. Three of the seven DoD payroll offices service fewer than 30,000 employees and are included in the total but not in the audit sample.

We reviewed payroll data and documentation supporting \$751 million for retirement, life insurance, health insurance, and Thrift Savings Plan withholdings reported each year by DFAS to OPM for DoD, DOE, and HHS civilian personnel. The total DoD plus DOE and HHS payroll was for about 767,000 employees with an annual payout of about \$48.8 billion.

We performed the agreed-upon procedures required by OMB. Specifically, we reviewed data and documentation supporting gross pay and payroll withholdings that DFAS reported to OPM for the three pay periods ended October 29, 2005; February 18, 2006; and March 4, 2006. We also reviewed management controls over the reporting process. We compared the payroll data files with personnel forms for 270 randomly selected employees for gross pay, retirement, health insurance, and life insurance.

We also verified payroll data file totals and calculations of life insurance, health insurance, and retirement withholdings. We performed additional procedures based on generally accepted government auditing standards that we considered necessary in the circumstances.

**Use of Computer-Processed Data.** We did not evaluate the general and application controls of the DCPS that processes payroll data, although we did rely on data produced by that system to conduct the audit. We determined data reliability by totaling the data provided to us from the system and comparing the totals to summary documents previously prepared from the system. Not evaluating the controls did not affect the results of the application of the agreed-upon procedures.

**Work of Other Auditors.** Auditors from KPMG LLP performed the agreed-upon procedures that involved reviewing OPFs for DOE. Auditors from the Office of the Inspector General, Department of Health and Human Services, performed the agreed-upon procedures that involved reviewing OPFs for HHS. We reviewed their working papers and determined that we can rely on their work.

**Government Accountability Office High-Risk Area.** The Government Accountability Office has identified several high-risk areas in DoD. This report provides coverage of the DoD Financial Management high-risk area.

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## Review of Internal Controls

DoD Directive 5010.38, “Management Control (MC) Program,” August 26, 1996, and DoD Instruction 5010.40, “Management Control (MC) Program Procedures,” August 28, 1996,\* require DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.

**Scope of the Review of the Management Control Program.** We assessed whether employees’ elections for payroll withholding supported amounts actually withheld. We also tested for the retention of payroll withholding election documents in the OPFs. We also assessed the adequacy of management controls over reporting payroll summary data to OPM through the RITS system. We reviewed the annual statements of assurance by the Military Departments and Defense agencies to determine whether they disclosed the inconsistency between OPFs and the DCPS payroll withholding data.

**Adequacy of Internal Controls.** We identified a material internal control weakness for agency personnel offices and DFAS.

**Agency Personnel Offices.** We identified weaknesses in DoD, DOE, and HHS personnel offices’ management controls involving accuracy of payroll withholding elections and retention of elections in OPFs. The weak controls did not ensure proper withholdings from earnings for employee benefits and did not ensure retention of documents supporting payroll withholding maintained in the OPFs.

The HHS auditors identified 9 audit sample employees’ OPFs out of 45 reviewed (a 20-percent error rate for their sample) that did not include documentation to support payroll withholdings, indicating weak internal controls. The HHS error rate is significantly higher than the error rates found for DoD and DOE personnel office samples. However, the sample cannot be statistically projected to all payroll.

**Defense Finance and Accounting Service.** We identified errors in pay and withholding computations in cases where documentation in the OPF was consistent with data in DCPS. This indicates a control weakness over pay and withholding computations.

**Adequacy of Management’s Self-Evaluation.** Self-evaluation by the Military Departments did not identify the weakness. Management did not report the weakness in their Annual Statements of Assurance because management did not treat this area as an assessable unit.

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\* Office of Management and Budget Circular No. A-123, “Management’s Responsibility for Internal Control,” December 21, 2004, provides updated internal control standards and new requirements for conducting management’s assessment of internal control over financial reporting. Revised OMB Circular No. A-123 became effective in FY 2006. Subsequently, DoD canceled DoD Instruction 5010.40 and issued DoD Instruction 5010.40, Managers’ Internal Control Program Procedures,” January 4, 2006.



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## **Appendix B. Prior Coverage**

During the last 5 years, the Department of Defense Inspector General (DoD IG) and the Air Force Audit Agency (AFAA) have conducted multiple reviews related to civilian payroll information, controls over the payroll process, and payroll expenses. Unrestricted DoD Office of Inspector General reports are on the internet at <http://www.dodig.mil/audit/reports>. Unrestricted Air Force Audit Agency reports are on the Intranet at <https://www.afaaf.hq.af.mil/domainck/index.shtml>.

### **DoD IG**

DoD IG Report No. D-2006-002, "DoD Civilian Payroll Withholding Data for FY 2005," October 6, 2005

DoD IG Report No. D-2005-036, "DoD Civilian Payroll Withholding Data for FY 2004," February 17, 2005

DoD IG Report No. D-2004-051, "DoD Payroll Withholding Data for FY 2003," February 6, 2004

DoD IG Report No. D-2003-060, "DoD Payroll Withholding Data for FY 2002," March 18, 2003

DoD IG Report No. D-2002-070, "DoD Payroll Withholding Data for FY 2001," March 25, 2002

DoD IG Report No. D-2001-109, "DoD Payroll Withholding Data for FY 2000," April 27, 2001

### **Air Force**

AFAA Report No. F2004-0001-FB1000, "Civilian Premium Payment," October 1, 2003

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## **Appendix C. Report Distribution**

### **Office of the Secretary of Defense**

Under Secretary of Defense (Comptroller)/Chief Financial Officer  
Deputy Chief Financial Officer  
Deputy Comptroller (Program/Budget)  
Under Secretary of Defense for Personnel and Readiness  
Director, Program Analysis and Evaluation

### **Department of the Army**

Auditor General, Department of the Army

### **Department of the Navy**

Naval Inspector General  
Auditor General, Department of the Navy

### **Department of the Air Force**

Assistant Secretary of the Air Force (Financial Management and Comptroller)  
Auditor General, Department of the Air Force

### **Other Defense Organizations**

Chief, National Guard Bureau  
Director, Defense Commissary Agency  
Director, Defense Contract Audit Agency  
Director, Defense Contract Management Agency  
Director, Defense Finance and Accounting Service  
Director, Defense Intelligence Agency  
Director, Defense Logistics Agency  
Director, National Security Agency

### **Non-Defense Federal Organizations**

Office of Management and Budget  
Office of Personnel Management  
Department of Energy  
Department of Health and Human Services

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## **Congressional Committees and Subcommittees, Chairman and Ranking Minority Member**

Senate Committee on Appropriations  
Senate Subcommittee on Defense, Committee on Appropriations  
Senate Committee on Armed Services  
Senate Committee on Governmental Affairs  
House Committee on Appropriations  
House Subcommittee on Defense, Committee on Appropriations  
House Committee on Armed Services  
House Committee on Government Reform  
House Subcommittee on Government Efficiency and Financial Management, Committee on Government Reform  
House Subcommittee on National Security, Emerging Threats, and International Relations, Committee on Government Reform  
House Subcommittee on Technology, Information Policy, Intergovernmental Relations, and the Census, Committee on Government Reform

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# Department of the Air Force Comments



DEPARTMENT OF THE AIR FORCE  
HEADQUARTERS, UNITED STATES AIR FORCE  
WASHINGTON, DC

SEP 06 2006

MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR AUDITING  
OFFICE OF THE INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE

FROM: HQ USAF/A1  
1040 Air Force Pentagon  
Washington DC 20330-1040

SUBJECT: DoDIG Draft Audit Report, Civilian Payroll and Withholding Data for FY 2006  
(Project No. D2006-D2006FP-0073) (Your Memo, 21 August 2006)

This is in reply to your memorandum requesting the Assistant Secretary of the Air Force (Financial Management and Comptroller) to provide Air Force comments on subject report.

Since all Air Force discrepancies were corrected and/or rectified on the spot or at a later date and we concur with your findings and recommendations. Therefore, the Air Force had no discrepancies. Our point of contact for this review is Ms. Lynda Lake at 703-604-8154.

A handwritten signature in cursive script, appearing to read "Roger M. Blanchard".

ROGER M. BLANCHARD  
Asst DCS, Manpower and Personnel

cc:  
SAF/FMPF  
HQ AFPC/DPS  
HQ AFPC/CD

# Defense Finance and Accounting Service Comments



DEFENSE FINANCE AND ACCOUNTING SERVICE  
8899 EAST 56 TH STREET  
INDIANAPOLIS, INDIANA 46249

SEP 01 2006

DFAS-P/IN

MEMORANDUM FOR PROGRAM DIRECTOR, DEFENSE FINANCIAL AUDITING  
SERVICE, DEPARTMENT OF DEFENSE INSPECTOR  
GENERAL

SUBJECT: Comments to the Recommendation in the DoDIG Draft Report/Project  
D2006-D000FP-0073.000

Attached are management comments to Recommendation Number 3 and the  
DFAS material management control weakness in the DoDIG Draft Report, "Civilian  
Payroll and Withholding Data for FY 2006," dated August 18, 2006.

Questions your staff may have concerning these matters may be directed to  
Mr. Tom Caporizzo at 317-510-2233.

Bobby Derrick  
Director, Business Management Office  
Standards & Compliance

Attachment:  
As stated

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**DFAS comments on DoDIG draft report, "Civilian Payroll and Withholding Data for FY 2006", Project No. D2006-D000FP-0073.000, dated August 18, 2006**

**Recommendation 3:** We recommend that the Defense Finance and Accounting Service implement internal controls over the computation of life insurance withholdings to ensure that elements of gross pay, that are includable in the pay base for computing life insurance withholding, are properly included. (Draft Report, Page 5)

**Management Comments:** Concur. Management concurs with this recommendation. However, DFAS views this as an operational issue rather than a system issue. The DCPS system does not contain clock hours necessary to determine if the premiums should be included in the pay calculation. Therefore, the methodology using the Last Hour Indicator (LHI) to tell DCPS to include the premiums in the pay calculation is viable. The problem essentially is a training issue for timekeepers. DFAS proposes sending a memorandum to the Customer Service Representatives advising them of the issue, the proper reporting of time and attendance, the use of the LHI and the effect to the employee if time is reported improperly. The memorandum will be staffed through the three payroll offices for consistency.

Estimated Completion Date: December 1, 2006

**Material Internal Control Weakness:** Defense Finance and Accounting Service. We identified errors in pay and withholding computations in cases where documentation in the OPF was consistent with data in DCPS. This indicates a control weakness over pay and withholding computations. (Draft Report – Appendix A, Page 17)

**Management Comments:** Non-concur. There are basically two issues addressed in this comment:

**1. Agreement of the documents in the OPF and DCPS:**

Regarding the documentation in the OPF and the information in DCPS, this report concludes that the information is in agreement. This would indicate that the controls in place to ensure the documentation between personnel and pay are adequate.

**2. Withholding computation:**

This issue is addressed in Recommendation #3. As discussed in Management's Response, DFAS agrees there are times when the withholding calculations do not include the premium amounts for environmental and/or shift pay. The cause of the

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problem, however, is not systemic but rather a user training issue. DFAS suggests that a training effort targeted at the entire population of CSRs and timekeepers with a follow-on effort for any specific timekeepers identified as requiring additional help would mitigate this problem. DCPS computes the withholding properly if the timekeeper provides the appropriate input. The timekeepers are employees of the customer agencies and as such DFAS has no direct control over their input. DFAS can offer training in an effort to teach the proper methodology required to record time and attendance such that the employee will be charged the proper amount for withholding.

## **Team Members**

The Department of Defense Office of the Deputy Inspector General for Auditing, Defense Financial Auditing Service, prepared this report. Personnel of the Department of Defense Office of Inspector General who contributed to the report are listed below.

Paul J. Granetto  
Douglas P. Neville  
Thomas J. Winter  
Jonathan Rabben  
Ariel Vega  
James Davis