



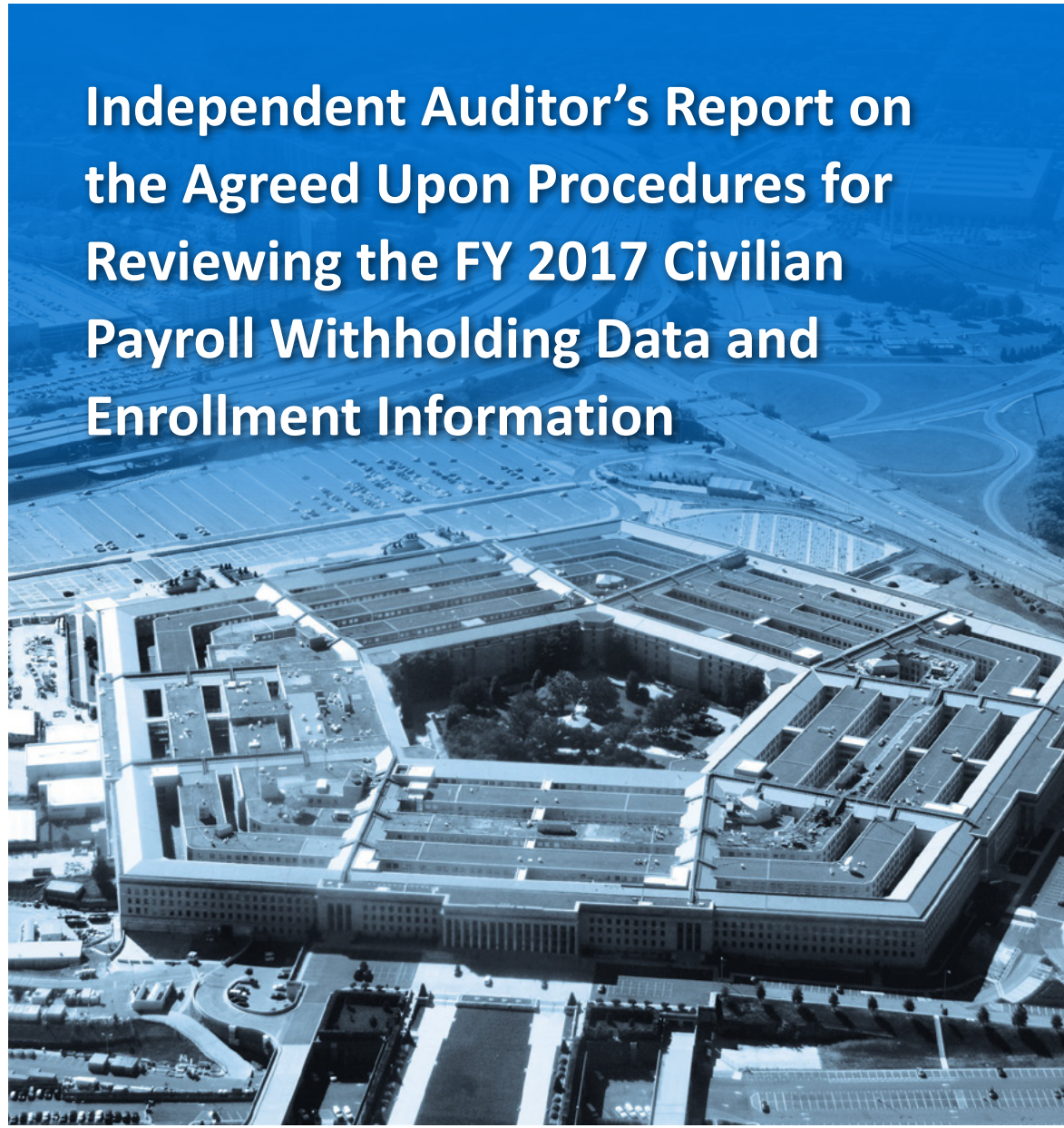
INSPECTOR GENERAL

U.S. Department of Defense

SEPTEMBER 28, 2017



Independent Auditor's Report on the Agreed Upon Procedures for Reviewing the FY 2017 Civilian Payroll Withholding Data and Enrollment Information



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Our vision is to be a model oversight organization in the Federal Government by leading change, speaking truth, and promoting excellence—a diverse organization, working together as one professional team, recognized as leaders in our field.



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

September 28, 2017

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)/CHIEF
FINANCIAL OFFICER, DOD
UNDER SECRETARY OF DEFENSE FOR PERSONNEL AND READINESS
ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL MANAGEMENT
AND COMPTROLLER)
CHIEF, NATIONAL GUARD BUREAU
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
DIRECTOR, DEFENSE LOGISTICS AGENCY
NAVAL INSPECTOR GENERAL
AUDITOR GENERAL, DEPARTMENT OF THE ARMY
INSEPECTOR GENERAL, DEPARTMENT OF ENERGY
INSPECTOR GENERAL, DEPARTMENT OF HEALTH AND HUMAN SERVICES
INSPECTOR GENERAL, DEPARTMENT OF VETERANS AFFAIRS
INSPECTOR GENERAL, OFFICE OF PERSONNEL MANAGEMENT

SUBJECT: Independent Auditor's Report on the Agreed-Upon Procedures for Reviewing the
FY 2017 Civilian Payroll Withholding Data and Enrollment Information
(Report No. DODIG-2017-124)

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

We appreciate the courtesies extended to the staff. Please direct questions to me at
(703) 601-5945.

A handwritten signature in cursive script that reads "Lorin T. Venable".

Lorin T. Venable, CPA
Assistant Inspector General
Financial Management and Reporting





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

September 28, 2017

The Honorable Norbert Vint
Deputy Inspector General
U.S. Office of Personnel Management
Theodore Roosevelt Federal Building
1900 E Street NW, Room 6400
Washington, D.C. 20415-0001

SUBJECT: Independent Auditor's Report on the Agreed-Up Upon Procedures for Reviewing the
FY 2017 Civilian Payroll Withholding Data and Enrollment Information
(Project No. D2017-D000FP-0099)

Dear Mr. Vint:

We performed the procedures described in the Enclosure to this document. These procedures were agreed to by the Chief Financial Officer and the Inspector General (IG) of the U.S. Office of Personnel Management (OPM). We performed these procedures solely to assist in assessing the reasonableness of the employee withholdings and employer contributions that the Defense Finance and Accounting Service (DFAS) reported on Standard Form 2812, "Report of Withholdings and Contributions for Health Benefits, Life Insurance, and Retirement," for the pay periods ending September 3, 2016; December 10, 2016; February 18, 2017; and March 4, 2017. We also performed these procedures to assist in assessing the reasonableness of the amounts reported in the, "Supplemental Semiannual Headcount Report," as of September 2016 and March 2017. The reports submitted by DFAS included information for the following entities listed in Appendix A of the Office of Management and Budget, Bulletin No. 15-02, "Audit Requirements for Federal Financial Statements."

- Department of Defense (DoD)
- Department of Energy (DoE)
- Department of Health and Human Services (HHS)
- Department of Veterans Affairs (VA)

In addition, we performed procedures to assist the OPM in identifying and correcting errors in processing and distributing Combined Federal Campaign (CFC) payroll deductions.

We randomly selected a sample of 315 out of 1.2 million employees from the December 10, 2016, pay period from 11 DFAS payroll data files.¹ We compared the sample of 315 employees' pay and withholdings and agency contributions in the Defense Civilian Pay System (DCPS) to the documentation in the Official Personnel Files (OPF). Of the 315 OPFs: 180 represented DoD employees, 45 represented DoE employees, 45 represented HHS employees, and 45 represented VA employees.

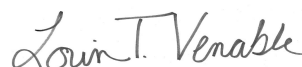
Auditors from the DoE and HHS Offices of Inspector General (OIG) performed the agreed-upon procedures (AUP) to review their agency OPFs. We believe the evidence obtained provides a reasonable basis for our conclusions based on our attestation objective.

We performed the agreed-upon procedures in accordance with generally accepted Government auditing standards, which incorporate financial audit and attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the OPM Chief Financial Officer and the OPM IG. Consequently, we make no representation regarding the sufficiency of the procedures either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to express an opinion on whether the health benefits, life insurance, and retirement contributions and withholdings, or the enrollment information submitted by DFAS to OPM, were reasonable and accurate. Accordingly, we did not conduct an examination, nor did we express such an opinion. Had we performed additional procedures, other matters might have come to our attention that we would have reported to you. We provided a discussion draft of this report to the entities listed in the transmittal memorandum. None of the responses to the discussion draft report impacted the accuracy of the report or required any changes to the report.

This report is intended solely for the information and use of the OPM Chief Financial Officer and OPM IG and is not intended to be used by those who have not agreed to the procedures or have not taken responsibility for the sufficiency of the procedures for their purposes. However, the report is a matter of public record, and its distribution is not limited; thus, we will post the report on our website and provide copies upon request.

Sincerely,



Lorin T. Venable, CPA
Assistant Inspector General
Financial Management and Reporting

Enclosure:
As stated

¹ The 11 DFAS payroll data files we used were the Army, Navy, Air Force, Other Defense Organizations, Military Sealift Command, Overseas Army/DoD, Overseas DoD, Shipyard DoD, DoE, HHS, and VA.

Enclosure: Agreed Upon Procedures Performed and Results

This section contains the OPM Agreed-Upon Procedures and the results of completing those procedures.

Overall Procedure

For employee benefit withholding and contributions, obtain the agency payroll providers (APP) September 2016 and March 2017 Semiannual Headcount Reports submitted to OPM and a summary of the Retirement and Insurance Transfer System (RITS) submissions for September 2016 and the current fiscal year. For each program (retirement, health and life) select a total of three RITS submissions for September 2016 and the current FY 2017; two will coincide with the September 2016 and March 2017 Semiannual Headcount Reports.² Obtain payroll information for the periods covered by the RITS submissions selected.

For the CFC payroll deductions, obtain the following documentation for the federal agencies serviced by the APP:

- a. A list of all field offices/duty stations in existence during the fall 2016 CFC solicitation period (September 1, 2016 through December 31, 2016) for each federal agency serviced. The list must include either OPM Office Duty Station Code or the county, city, state, and zip code for the field office.
- b. A list of all local CFC campaigns and the areas they cover. This list should be obtained directly from the OPM CFC by sending an e-mail request to cfc-compliance@opm.gov. The subject line of the e-mail should be, "Payroll Office AUPs-2016 CFC Campaign Location List Request."
- c. A list of accounting codes used by the APP to identify each local CFC campaign. The list should include the accounting code, name of campaign, name of Principal Combined Fund Organization (PCFO) for that campaign, and address of PCFO.
- d. A report of all employees with CFC deductions from the RITS submission selected to coincide with the March 2017 Semiannual Headcount. The report must include each employee's official duty station location and the APP's accounting code identifying the campaign to which each employee's funds are being distributed.

Note: Hereinafter, the term payroll information refers to all payroll information, whether it is a payroll register, payroll data files, or other payroll support data.

² The September 2016 Semiannual Headcount Report consisted of the following payroll period: September 3, 2016. The March 2017 Semiannual Headcount Report consisted of the following two payroll periods: February 18, 2017 and March 4, 2017. Therefore, to comply with the procedure, we needed to obtain payroll information for two payroll periods for the March Headcount Report. In addition, we selected December 10, 2016 payroll period for the third RITS submission. As a result, we reviewed a total of four payroll periods instead of the three suggested for this agreed-upon procedure.

Procedure 1.

Compare RITS submission data to the payroll information by performing the following procedures.³

Procedure 1.a.

Recalculate the material accuracy of the payroll information.

Procedure 1.b.

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

Procedure 1.c.

Compare the employee withholding information at the aggregate level for retirement, health benefits, and life insurance (as adjusted for reconciling items) shown on the payroll information obtained in step 1.a. to the related amounts shown on the RITS submission for the corresponding period.

Report any differences for each of the retirement, health benefits, and life insurance (categories) for step 1.c. that are over 1 percent of the aggregate amount reported for each of the three categories. Obtain a management official name, an explanation, telephone number, and an email address for the differences above the 1 percent threshold.

Results

We did not identify any differences over 1 percent for this comparison.

Procedure 2.

Perform detail testing of a random sample of transactions as follows:

Procedure 2.a.

Randomly select a total of 25 individuals who were in the payroll system for all three of the RITS submissions selected above that meet all the following criteria.

- covered by the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS);
- enrolled in the Federal Employees Health Benefits Program;
- covered by Basic Life Insurance; and
- covered by at least one Federal Employees' Group Life Insurance (FEGLI) optional coverage (option A, B, or C).

³ For cross-servicing agencies, if the internal controls are the same for all agencies serviced, it is only necessary to perform this procedure for one agency.

Procedure 2.b.

Obtain the following documents, either in electronic or hard copy format, from the Official Personnel File (OPF) for each individual selected in step 2.a. Hard copies can be originals or certified copies.

- All Notifications of Personnel Actions (SF-50) covering the pay periods in the RITS submissions chosen;
- The Health Benefits Election Form (SF-2809) covering the pay periods in the RITS submissions chosen or, if applicable, obtain a report (via the agency personnel office) from the agency's automated system that allows participants to change benefits, (e.g., Employee Express), for any health benefits transactions in that system for the individuals selected in step 2.a.⁴
- For Health Benefits, compare date of the payroll transaction with date on the certified copy of the SF-2809 or the agency's automated system report obtained above to identify whether the health benefit information to be used in step 2.f. covers the pay periods in the RITS submissions chosen.
- The Life Insurance Election Form (SF-2817) covering the pay periods in the RITS submission chosen.⁵

Results

Of the 175 OPFs reviewed 10 documents were processed late or missing. Under these two categories, we identified one document for the Army, one document for the Army National Guard, one document for the Navy, three documents from the Other Defense Organizations (ODO), and one document from the Department of Veterans Affairs (VA). Department of Energy (DoE) and Department of Health and Human Services (HHS) auditors identified three missing documents. See Table 1 for the number and type of documents by organization that were processed late or missing.

⁴ A new SF-2809 is needed only if an employee is changing health benefit plans; therefore, the form could be many years old.

⁵ A new SF-2817 is needed only if an employee is changing life insurance coverage; therefore, the form could be many years old.

Table 1. Number and Type of Documents That Were Processed Late or Missing

	SF-50	SF-2809	SF-2817	
Organization	Processed Late	Missing	Missing	Total
Army/Army National Guard	2			2
Air Force/Air National Guard				0
Navy	1			1
Other Defense Organizations	1		2	3
Department of Energy		1	1	2
Health and Human Services			1	1
Veterans Affairs	1			1
Total	5	1	4	10

Procedure 2.c.

For each individual selected in step 2.a., compare the base salary used for payroll purposes and upon which withholdings and contributions generally are based to the base salary reflected on the employee's SF-50. Report any differences resulting from this step and obtain management's explanation for the differences.

Results

Auditors identified six differences: one for the Army, one for the Army National Guard, one for the Navy, one for ODOs, and two for the VA. Except for one VA difference, all differences occurred because the SF-50 was processed late. Our calculations from the SF-50 provided did not match with the gross pay in DCPS for the other VA difference. VA management did not provide an explanation for the difference.

Procedure 2.d.

For each individual selected in step 2.a., compare the retirement plan code from the employee's SF-50 to the plan code used in the payroll system. Report any differences resulting from this step and obtain management's explanation for the differences.

Results

We did not identify differences for this comparison.

Procedure 2.e.

For each individual selected in step 2.a., calculate the retirement amount to be withheld and contributed for the plan code from the employee's SF-50, by multiplying the base salary from the employee's SF-50 by the official withholding and contribution rates required by

law. Compare the calculated amounts to the actual amounts withheld and contributed for the retirement plan. Report any differences resulting from this step and obtain management's explanation for the differences.

Results

We identified six differences: one for the Army, one for the Army National Guard, one for the Navy, one for ODOs, and two for the VA. Except for one VA difference, all the differences occurred because the SF-50 was processed late. For the one VA difference, retirement calculations did not match with the gross pay in DCPS. VA management did not provide an explanation for the difference.

Procedure 2.f.

For each individual selected in step 2.a., compare the employee's health benefit withholdings and agency contributions to the official subscription rates issued by OPM for the plan and option elected by the employee, as documented by an SF-2809 in the employee's OPF or automated system that allows the participant to change benefits (e.g., Employee Express.) Report any differences resulting from this step and obtain management's explanation for the differences. The health benefits rates can be found on OPM's website at <http://www.opm.gov/insure/health/rates/index.asp>.

Results

Auditors identified a total of seven differences: five for the VA and two for DOE. We identified the health enrollment code on the SF-2809s did not match the DCPS data for five VA differences. VA management did not provide an explanation for these differences. DoE OIG auditors identified two differences. One DoE difference occurred because the SF-2809 was missing and for the other difference the health enrollment code on the SF-2809 did not match the DCPS data. DoE management did not provide an explanation for the differences.

Procedure 2.g.

For each individual selected in step 2.a., confirm that basic life insurance was elected by the employee by inspecting the SF-2817 documented in the employee's OPF. Report any differences resulting from this step and obtain management's explanation for the differences.

Results

Auditors identified a total of three differences: one for an ODO, one for DoE, and one for HHS. The difference identified in the ODOs was at the Defense Health Agency (DHA). The DHA difference occurred because the applicable SF-2817 was missing. DHA management did not provide an explanation for this difference. DoE OIG and HHS OIG auditors identified one difference each, these two differences occurred because the applicable SF-2817 was missing.

Procedure 2.h.

For each individual selected in step 2.a., calculate the withholding and agency contribution amounts for basic life insurance using the following:

- For employee withholdings, round the employee's annual base salary up to the nearest thousand dollars and add \$2,000. Divide this total by 1,000 and multiply by the rate required by law. The Life Insurance rates are on OPM's website at <http://www.opm.gov/insure/life/rates/index.asp>.
- For agency contributions, divide the employee withholdings calculated above by two.

Compare the calculated employee withholdings and agency contributions to the actual amounts withheld and contributed for basic life insurance. Report any differences resulting from this step and obtain management's explanation for the differences.

Results

Auditors identified eight differences: one for the Army, one for the Army National Guard, one for the Navy, two for ODOs, two for VA, and one for DoE. Five of the differences occurred because the SF-50 was processed late. These five differences included one for the Army, one for the Army National Guard, one for the Navy, one for the ODOs, and one for the VA. One ODO difference occurred because the SF-2817 was missing. For one VA difference, the calculations on the SF-50 did not match the gross pay in DCPS, causing miscalculation of the life insurance. The ODOs and VA management did not provide an explanation for their differences. DoE OIG auditors identified one difference, which occurred because the SF-2817 was missing.

Procedure 2.i.

For each individual selected in step 2.a., compare optional coverage elected as documented on the SF-2817 in the employee's OPF to the optional coverage documented in the payroll system. Report any differences resulting from this step and obtain management's explanation for the differences.

Results

Auditors identified a total of 11 differences: one for the Navy, five for the ODOs, three for the VA, one for DOE, and one for HHS. One Navy, one ODO, and one VA difference occurred because the SF-50 was processed late. Two ODO differences occurred because the SF-2817 was missing. For the last two ODO differences and one VA difference, the life insurance election on the SF-2817 did not match the DCPS data. For one VA difference, the calculations on the SF-50 did not match the gross pay in the DCPS data, causing a miscalculation of the life insurance. The ODO and VA management did not provide an explanation for these differences. DoE OIG and HHS OIG auditors each identified one difference and those occurred because the SF-2817 was missing.

Procedure 2.j.

For each individual selected in step 2.a., calculate the withholding amounts for optional life insurance using the following:

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

Results

Auditors identified a total of 11 differences: one for the Navy, five for the ODOs, three for the VA, one for DoE, and one for HHS. One Navy, one ODO, and one VA difference occurred because the SF-50 was processed late. Two ODO differences occurred because the SF-2817 was missing. For the last two ODO differences and one VA difference, the life insurance election on the SF-2817 did not match the DCPS data. For one VA difference, the calculations on the SF-50 did not match the gross pay in DCPS, causing a miscalculation of the life insurance. The ODOs and VA management did not provide an explanation for these differences. DoE OIG and HHS OIG auditors each identified one difference and those occurred because the SF-2817 was missing.

Procedure 3.

Randomly select a total of 10 employees who have no health benefits withholdings from the payroll information corresponding to the three RITS submissions selected above and perform the following for each employee selected.

Procedure 3.a.

Obtain SF-2809s covering the pay periods in the RITS submissions chosen, either in electronic or hard copy format, from the selected employee's OPF or, if applicable, obtain a report (via the agency personnel office) from the agency's automated system that allows participants to change benefits, (e.g., Employee Express), for any health benefit transactions in that system for the individuals selected. Hard copies can be originals or certified copies. Inspect the documentation (that is, SF-2809 or the agency's system-generated report) to identify whether health benefits coverage was not elected. This can be identified in the following ways:

- absence of an SF-2809 in the OPF and no election of coverage made through the agency's automated system that allows participants to change benefits (e.g., Employee Express); or
- an SF-2809 in the OPF with Section E checked (indicating cancellation of coverage) and no later election of coverage through the agency's automated system that allows participants to change benefits (e.g., Employee Express); or
- cancellation of coverage through the agency's automated system that allows participants to change benefits (e.g., Employee Express) and no later election of coverage with an SF-2809.

Procedure 3.b.

Compare the result in step 3.a. to the RITS submissions. Report any differences resulting from this step and obtain management's explanation for the differences.

Results

Of the 70 OPFs reviewed, we identified one exception in the VA. For this exception, the employee had an SF-2809 on file, but the health insurance enrollment code did not match the DCPS data. VA management did not provide an explanation for the difference.

Procedure 4.

Randomly select a total of 10 employees who have no life insurance withholdings from the payroll information corresponding to the three RITS submissions selected above and perform the following for each employee selected.

Procedure 4.a.

Obtain the SF-2817s covering the pay periods in the RITS submissions chosen, either in electronic or hard copy format, from the selected employee's OPF. Hard copies can be originals or certified copies. Inspect the SF-2817 to identify whether the employee waived for cancelled basic life insurance coverage.

Procedure 4.b.

Compare the result in step 4.a. to the RITS submissions. Report any differences resulting from this step and obtain management's explanation for the differences.

Results

Of the 70 OPFs reviewed, auditors identified a total of seven differences: one for the Army, one for the Air National Guard, one for the VA, three for DoE, and one for HHS. The Army difference occurred because the SF-2817 was incomplete. The Air National Guard and the VA differences occurred because the SF-2817s were missing. DoE OIG auditors identified three differences, while HHS auditors identified one difference. Two DoE differences and the HHS difference occurred because the SF-2817s were missing. The final difference for DoE occurred because the employee recently elected coverage, but the personnel file was not updated to reflect the change.

Procedure 5.

Calculate the headcount reflected on the September 2016 and March 2017 Semiannual Headcount Report selected, as follows.

Procedure 5.a.

Obtain existing payroll information (from step 1.a.) supporting each Supplemental Semiannual Headcount report. If existing payroll data are not available, obtain a payroll system query that summarizes detailed payroll data supporting each Supplemental Semiannual Headcount Report, as 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 each Semiannual Headcount Report. If an electronic file is not available, a suggested method of recalculating the headcount is as follows:

(1) estimate the number of employees per payroll register page by counting the employees listed on several pages, (2) count the number of pages in the payroll register, and (3) multiply the number of employees per page by the number of pages, or count (using a computer audit routine) the number of employees on the payroll data file for the period.

Procedure 5.c.

Compare the payroll information obtained in step 5.a. and the calculated headcount from step 5.b. to the information shown on each respective Semiannual Headcount Report.

Procedure 5.d.

Report any differences (i.e., gross rather than net) greater than 2 percent between the headcount reporting on each respective agency Semiannual Headcount Report and payroll information from step 5.a. the calculated headcount from step 5.b. Refer to the management official for an explanation of the differences.

Results

Of the 22 Semiannual Headcount Reports reviewed, we identified two differences greater than 2 percent when we compared the Semiannual Headcount reports to DCPS data. The first difference was in the September Semiannual Headcount Report and the headcount listed in the DCPS. We identified one headcount difference of 2.86 percent in the Overseas Payroll Office. DFAS management stated that this difference occurred because in this payroll office a large number of employees were teachers in a non-pay status at the time.

The second difference was in the March Semiannual Headcount Report. We identified one difference in the aggregated base pay in the Veterans Affairs Payroll Office of 1,674.82 percent. DFAS management stated that they identified this problem and have requested a system change that has not been implemented yet. However, no additional documentation was provided.

Procedure 6.

Calculate employer and employee contributions for retirement, health Benefits, and basic life insurance as follows:

Procedure 6.a.

Calculate employer and employee contributions for the three pay periods selected in step 1.a., as follows:

Procedure 6.a.i.

Multiply the CSRS and FERS payroll base by the withholding and employer contribution rates required by law.

Procedure 6.a.ii.

Compare the calculated totals from step 6.a.i. to the related amounts shown on the RITS submissions. Report any differences (i.e., gross rather than net) between the calculated amounts and the amounts reported on the RITS submissions that are greater than 5 percent of the amounts on the RITS submission, and obtain management's explanation for the differences.

Results

We identified two differences greater than 5 percent for the CSRS comparison. The Military Sealift Command Payroll Office had a 13.01 percent agency contribution difference for the pay period ending December 10, 2016. The Overseas Army Payroll office had a 20.78 percent agency contribution difference for pay period ending February 18, 2017. DFAS management stated that employee's changed their retirement codes, requiring DFAS to make corrections.

For the FERS Retired Annuity Employees we identified three differences greater than 5 percent. The Navy Payroll Office had a difference of 6.54 percent for pay period ending December 10, 2016. The DoE Payroll Office had two differences: one of 41.58 percent for the pay period ending December 10, 2016 and another difference of 21.60 percent for the pay period ending February 18, 2017. DFAS management stated that the exceptions were caused by the employee's change of retirement codes and DFAS had to make corrections.

For the FERS and FERS Further Revised Annuity Employee comparisons, we did not identify any differences greater than 5 percent.

Procedure 6.b.

Calculate employee withholdings and employer contributions for health benefits for the three pay periods selected in step 1.a., as follows:

Procedure 6.b.i.

Multiply the number of employees enrolled in each health benefits plan and plan option by the employee withholdings and employer contributions for the plan and option.

Procedure 6.b.ii.

Sum the totals in step 6.b.i. and compare the result with the health benefit withholding and contribution amounts shown on the RITS submissions. Report any differences (i.e., gross rather than net) between the calculated amounts and the amounts reported on the RITS submissions that are greater than 5 percent of the amounts on the RITS submission, and obtain management's explanation for the differences.

Results

We did not identify any differences greater than 5 percent for this comparison.

Procedure 6.c.

Calculate the basic life insurance employee withholdings and employer contributions for the three pay periods selected in step 1.a., as follows:

Procedure 6.c.i.

Obtain a payroll system query from APP personnel to obtain the total number of employees with basic life insurance coverage and the aggregate annual basic pay for all employees with basic life insurance.

Procedure 6.c.ii.

For employee withholdings: add the product of 2,500 times the number of employees with basic life insurance coverage from step 6.c.i above to the aggregate annual basic pay for all employees with basic life insurance from step 6.c.i above to calculate the estimated total basic life insurance coverage. Divide this calculated total by 1,000 and multiply it by the withholding rate required by law. The Basic Life Insurance withholding rates are in the FEGLI Program Booklet on OPM's website.

Procedure 6.c.iii.

Compare the result in step 6.c.ii. to the withholdings for Basic Life Insurance coverage reported on the RITS submission. Report any difference (i.e., gross rather than net) between the estimate and the amount of withholdings reported on the RITS submission greater than 5 percent of the amounts on the RITS submission, and obtain management's explanation for the difference.

Procedure 6.c.iv.

For agency contributions: divide the results of step 6.c.ii. by two—this approximates agency contributions, which are one-half of employee withholdings. Compare this result to the amount reported on the RITS submission. Report any differences (i.e., gross rather than net) between the estimated amount and the actual amount reported on the RITS submission that are greater than 5 percent of the amounts on the RITS submission, and obtain management’s explanation for the differences.

Results

We did not identify any differences greater than 5 percent for this comparison.

Procedure 6.d.

Calculate the option A, option B and option C basic life insurance coverage withholdings for the three pay periods selected by using the detail payroll reports used to reconcile the RITS reports in Step 1 on page 2. 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.⁶

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.

Procedure 6.d.ii.

Compare the result in step 6.d.i. to the amounts for option A reported on the RITS submissions. Report any differences (i.e., gross rather than net) greater than 2 percent of the amounts on the RITS submission, and obtain management’s explanation for the differences.

Results

We did not identify any differences greater than 2 percent for this comparison.

Procedure 6.d.iii.

Segregate 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 1,000, then divide it by 1,000, and then multiply this amount by the rate for the age group then multiplying this by the number of multiples:

*(Annual rate of basic pay (rounded up) /1,000*rate*multiples).*

For option C, multiply the rate for the age group by the number of multiples chosen for each employee.

⁶ While similar to step 2.j., the calculation at this step 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.j.

Procedure 6.d.iv.

Compare the result in step 6.d.iii. to the amounts for Option B and Option C, respectively, reported on the RITS submissions. Report any differences (i.e., gross rather than net) greater than 2 percent of the amounts on the RITS submission for option B or option C, and obtain management's explanation for the differences.

Results

We did not identify any differences greater than 2 percent for the option B comparison.

We identified the following eight discrepancies greater than 2 percent for the option C comparison.

We identified the following three differences for option C employee withholding for the September Headcount Report.

- Cleveland HHS Payroll Office had a 2.58 percent difference.
- Indianapolis Air Force Payroll Office had a 2.23 percent difference.
- Indianapolis DoD Payroll Office had a 3.43 percent difference.

We identified the following difference for option C employee withholding for the December 10, 2016 pay period.

- Indianapolis VA Payroll Office had a 2.07 percent difference.

We identified the following four differences for option C employee withholding for the March Headcount Report.

- Cleveland HHS Payroll Office had a 10.65 percent difference.
- Cleveland Navy Payroll Office had a 2.01 percent difference.
- Cleveland Shipyard Payroll Office had a 3.51 percent difference.
- Indianapolis Air Force Payroll Office had a 5.14 percent difference.

DFAS management stated that these differences were caused by negative values represented as refunds or changes in the FEGLI collections. DFAS management stated anytime there is a change in pay for an employee, for example, any adjustments or time attendance changes or any debts, this will affect the FEGLI payments causing the negative adjustments.

Procedure 7.

Compare the list of field offices/duty stations to the list of local CFC campaigns obtained from OPM's Office of CFC Operations (OCFCO).

Procedure 7.a.

Determine in which campaign each field office/duty station is located.⁷

Results

We determined in which campaign each field office is located, including locations with no local CFC campaign.

Procedure 8.

Compare the list of accounting codes to the identified campaigns for each field office/duty station.

Procedure 8.a.

Determine the accounting code for each field office/duty station.

Procedure 8.b.

Determine if the name of the campaign, PCFO, and address of the PCFO in the APP system agree with the information for that field office/duty station on the list of local CFC campaigns obtained from OPM's OCFCO.

Report as a finding the following:

- All instances in which the name of the campaign, PCFO, or address of the PCFO on the list of accounting codes from the Federal Payroll Office does not agree to the information on the list of all local CFC campaigns obtained from OPM's CFC. A chart detailing the differences should be included. Obtain management's explanation for the differences and a corrective action plan.

Results

We found three differences when we compared the name of the campaign, the PCFO, and the PCFO address with the DCPS CFC information and the OPM CFC information. One campaign had differences in the PCFO name and address and another campaign had an address difference. DFAS management did not provide an explanation but stated that it would correct the differences. See Tables 2 and 3 for the Campaign Numbers and details of the PCFO name, and PCFO address differences by category.

⁷ It is possible for a field office/duty station to be in a location with no local CFC campaign.

Table 2. Principal Combined Fund Name Differences

Campaign Number	Campaign Name in OPM Records	Campaign Name in DCPS
0809	Heart of Arkansas United Way	C/O UW OF THE MID-SOUTH

Table 3. Principal Combined Fund Organization Address Differences

Campaign Number	PCFO Address in OPM Records	PCFO Address in DCPS
0809	PO Box 798 N. Little Rock, AR 72115-0798	1005 Tillman St. Memphis, TN 38112
0051	330 N. Commerce Park Loop Suite 200, Tucson, AZ 85745	330 N. Commerce PRK LP, 200 Tucson, AZ 85754

Procedure 9.

Sort the report of all employees with CFC deductions by official duty station.

Procedure 9.a.

Compare the Official Duty Stations to the campaigns identified for those locations.

Procedure 9.b.

Compare the accounting codes for each employee with CFC deductions to the accounting code identified for that employee's Official Duty Station.

- Determine if this agrees to the accounting code identified for that field office/duty station.

Report as a finding the following:

- All instances in which a Federal agency has a CFC deduction for an employee whose official duty station is in an area with no local CFC campaign. A chart listing the Federal agency, the duty station code and the campaign receiving the funds should be included. Obtain management's explanation for the differences and a corrective action plan.
- All instances in which the accounting code for an employee with CFC deductions does not agree to the accounting code for that employee's official duty station. A chart listing the Federal agency, the duty station code, the campaign used and the correct campaign should be included. Obtain management's explanation for the differences and a corrective action plan.

Results

We determined that 1,126 of 79,212 employees with CFC deductions in the March Semiannual Headcount report pay periods had incorrectly coded CFC deductions. We found 10 cases where employees donated to the CFC in which their geographic location code in DCPS was in a location without a local CFC campaign. Nine of these cases occurred in VA and one occurred in the Defense Legal Services Agency an ODO. We identified 1,116 cases where a Federal agency accounting code did not match the CFC campaign for the employee's geographic location. We identified 292 differences for the Army, 84 differences for the Navy, 50 differences for the Air Force, 24 differences for the National Guard, 58 differences for ODOs, 63 differences for the DoE, 143 differences for the HHS, and 402 differences for the VA. We provided our detailed results to OPM in a separate document.

Army management did not provide explanations for its 292 differences. However, Army management stated that their corrective action plan was to modify training for campaign managers and key workers and modify marketing materials to include a statement of eligibility would be most effective. Army management also stated that the Army did not have a centralized finance office that collects and disburses CFC pledge forms that are easily and conveniently retrieved for review. The Army had numerous decentralized campaigns that were supported by assigned finance offices that were located throughout the world. Army management stated that it would continue to comply with OPM's guidance and make it known that throughout the 2017 campaign donors will contribute within its assigned area.

For the 84 Navy differences, Navy management stated:

- in 37 cases, the employees had an official duty station location different from where they worked and lived;
- in 34 cases, the employees moved after they completed their CFC pledge forms;
- in 8 cases, employees used the wrong code;
- in 3 cases, employees changed agencies and location; and
- in 2 cases, the differences could not be verified.

The Navy did not provide a corrective action plan.

For the 50 Air Force differences, Air Force management stated:

- in 39 cases, employees transferred or realigned after they completed their CFC pledge forms;
- in 8 cases, employees had an official duty station location different from where they worked and lived;

- in 1 case, the employee's geolocation and duty station were incorrect;
- in 1 case, the employee was a new employee; and
- in 1 case, there was no explanation for the difference

The Air Force did not provide a corrective action plan.

For the 24 National Guard differences, National Guard management stated:

- in 18 cases, there was no entry in DCPS for the state of Indiana;
- in 3 cases, differences occurred because of data entry errors;
- in 2 cases, there were no explanations submitted; and
- in 1 case, the employee's state of record was incorrectly coded.

The National Guard did not provide a corrective action plan.

For the 58 ODO differences, 25 were serviced by the Army, 20 were serviced by Defense Logistics Agency, 7 were serviced by DFAS, 5 were serviced by National Geospatial-Intelligence Agency, and 1 was serviced by the Navy.

- Army management stated that out of its 25 differences, 7 employees transferred to new duty stations, 15 did not have any change, 1 was a new employee, 1 followed guidance to donate at the command level, and 1 was on extended leave. In addition, Army management stated that its corrective action plan to modify training for campaign managers and key workers, and modify marketing materials to include a statement of eligibility would be most effective.
- The Defense Logistics Agency did not provide an explanation for its differences.
- DFAS management provided a response for one of seven differences. DFAS management stated that the one difference occurred because the employee's duty station was in one state while the geographic location was in a different state.
- National Geospatial-Intelligence Agency stated that DFAS management confirmed the geographic location codes and the employee's contribution codes are correct. National Geospatial-Intelligence Agency believed that either the employees wanted to give to the different campaign codes or they made an error selecting the campaign code for their location.
- The Navy stated that the differences occurred because the employee transferred after the campaign.

For the 63 DoE differences, DoE management stated that CFC has "all around giving" or "universal giving," which did not limit the employee's ability to donate to a recipient outside their duty station location. DoE did not provide a corrective action plan.

Of the 143 HHS differences, HHS management stated:

- in 82 cases, DFAS and OPM were using a different set of codes;
- in 21 cases, the employees were working in an overseas location;
- in 14 cases, some states listed were inconsistent with the geolocation of duty station codes;
- in 13 cases, there was no explanation submitted;
- in 8 cases, the employees changed their duty location during the year; and
- in 5 cases, the employees were reassigned to a different duty station

HHS provided a corrective action plan. The HHS plan states that the CFC campaign manager should organize a meeting with the DFAS and myPay managers to develop a concept paper that summarizes the design, development, and implementation of a CFC data entry process to be used to input employee's CFC data. The entry process should establish codes, routines, and tables to validate the employee's duty station code. The plan also stated that CFC campaign managers should continue training with their key workers, to include emphasis on the campaigns business requirements related to selecting campaign areas appropriate for the employee's duty station location code. In addition, the plan stated that the CFC campaign manager should make sure CFC documentation includes information to support the campaign's business policies and requirements for selecting the campaign area codes that are appropriate for employee's duty station location code.

VA management did not provide an explanation for its 402 differences or a corrective action plan.

Procedure 10.

From the list of accounting codes that do not agree with the field office/duty station, select a judgmental sample of four pledges per federal agency/department and request the hard copy pledge form or electronic copy of the pledge form from the agency/department.

- Determine if the pledge form used was for the correct campaign based on the official duty station.

Report as a finding the following:

- All instances in which the incorrect pledge form was used by the employee. A chart listing the Federal agency, the correct campaign and the campaign used should be included.

Results

We nonstatistically selected 32 pledge forms. Agencies did not provide 19 of these pledge forms. For the 13 pledge forms provided, 12 pledge forms were the incorrect form based on the employee's official duty station and 1 pledge form did not have the campaign information provided. See Table 5 for the incorrect campaign code by organization.

Table 5. Incorrect Campaign Code on Pledge Form by Organization

Federal Organization	Number of Samples	Correct Campaign Code	Campaign Code Used
Air Force	2	0189	0990
	1	0141	0852
Army	1	0351	0283
	1	0004	0990
Navy	1	0191	0995
	1	0898	0990
Health and Human Services	2	0682	0283
Department of Energy	2	0682	0283
	1	0571	0283

Acronyms and Abbreviations

APP	Agency Payroll Provider
CFC	Combined Federal Campaign
CSRS	Civil Service Retirement System
DCPS	Defense Civilian Pay System
DFAS	Defense Finance and Accounting Service
DoE	Department of Energy
FEGLI	Federal Employees Group Life Insurance
FEHB	Federal Employees Health Benefit
FERS	Federal Employees Retirement System
HHS	Department of Health and Human Services
OCFCO	Office of Combined Federal Campaign Operations
ODO	Other Defense Organizations
OPF	Official Personnel File
OPM	Office of Personnel Management
PCFO	Principal Combined Fund Organization
RITS	Retirement and Insurance Transfer System
VA	Department of Veterans Affairs



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