



United States Department of the Interior

Office of Inspector General

Washington, D.C. 20240

November 15, 2002

Mr. Harvey D. Thorp
Assistant Inspector General for Audits
Office of Inspector General
Office of Personnel Management
1900 E Street, N.W., Room 6400
Washington, D.C. 20415

Dear Mr. Thorp:

Enclosed is the Agreed-Upon Procedures Report for the Social Security Administration on "Retirement, Health Benefits, and Life Insurance Withholdings/Contributions And Supplemental Semiannual Headcount." This report is required by Appendix I of Office of Management and Budget (OMB) Bulletin 01-02, *Audit Requirements for Federal Financial Statements*. The report was prepared by KPMG LLP under contract with the Department of the Interior, Office of Inspector General. The contract required that the audit be performed in accordance with United States generally accepted government auditing standards, OMB Bulletin 01-02 and the General Accounting Office /President's Council on Integrity and Efficiency *Financial Audit Manual*.

In connection with the contract, we reviewed KPMG's report and related workpapers and inquired of their representatives. KPMG is responsible for the report and for the conclusions expressed in the report. However, our review disclosed no instances where KPMG did not comply, in all material respects, with United States generally accepted government auditing standards.

If you have any questions concerning this matter, please contact me at (202) 208-5512 or Mr. Curtis Crider, Director of Financial Audits, at (202) 208-5724.

Sincerely,

Roger La Rouche
Assistant Inspector General
for Audits

Enclosure



ENCLOSURE

Suite 2700
707 Seventeenth Street
Denver, CO 80202

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

The Inspector General
U.S. Office of Personnel Management:

We have performed the procedures enumerated in exhibit I, which were agreed to by the Inspector General, Chief Financial Officer, and the Associate Director for Retirement and Insurance of the U.S. Office of Personnel Management (OPM), solely to assist OPM in evaluating the reliability of the employee withholdings and employer contributions reported on the Social Security Administration (SSA) Reports of Withholdings and Contributions for Retirement, Health Benefits, and Life Insurance for the payroll periods ended December 15, 2001; February 23, 2002, which coincided with the March Semiannual Headcount Report; and June 1, 2002. SSA's management is responsible for reporting withholdings and contributions for retirement, health benefits, and life insurance, and for the related semiannual headcount reporting.

This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Inspector General, Chief Financial Officer, and the Associate Director for Retirement and Insurance of OPM. Consequently, we make no representation regarding the sufficiency of the procedures described in exhibit I, either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and the associated findings are presented in exhibit I.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the employee withholdings and employer contributions reported in the SSA Reports of Withholdings and Contributions for Retirement, Health Benefits, and Life Insurance, and the March Semiannual Headcount Report. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

KPMG LLP

October 25, 2002

cc: Chief Financial Officer, OPM
Associate Director for Retirement and Insurance, OPM



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a member of KPMG International, a Swiss association.

**Attachment to the Independent Accountants' Report on the
Application of Agreed-Upon Procedures
Submitted to the United States Office of Personnel Management
for the Social Security Administration**

Procedures and Findings

1. We obtained the Social Security Administration's (SSA) March Semiannual Headcount Report submitted to the United States Office of Personnel Management (OPM) and a summary of Retirement and Insurance Transfer System (RITS) submissions for the fiscal year ended September 30, 2002. We judgmentally selected the following three RITS submissions from the summary of RITS submissions, calculated the total of the amounts as reported on the RITS submissions and compared the results of the calculated amounts to the corresponding amounts reported on the RITS submissions.

Payroll period number	Payroll period ended
200126	December 15, 2001
200205	February 23, 2002 ¹
200212	June 1, 2002

Finding: We found such amounts to be in agreement.

2. We obtained the Federal Personnel/Payroll System (FPPS) Payroll Summary Reports associated with the three RITS submissions noted above, calculated the total of the amounts on the Payroll Summary Reports, and compared the results of the calculated amounts to the corresponding amounts reported on the Payroll Summary Reports.

Finding: We found such amounts to be in agreement.

3. We compared the employee withholding information shown on the Payroll Summary Reports for retirement, health benefits, and life insurance (as adjusted for reconciling items) to the related amounts shown on the RITS submissions for the payroll periods noted above. We obtained explanations from management for those differences above 1% of the total amounts reported for retirement, health benefits, and life insurance.

Finding: We identified differences over the 1% threshold between the RITS submissions and the Payroll Summary Reports for the three payroll periods noted above, and obtained explanations from the National Business Center (NBC) regarding the reasons for the differences, as presented in schedule A. We were told that the differences noted relate to military service employees who are withdrawing a portion of their retirement and repaying it at a later date. No additional procedures were performed with respect to the validity of the reconciling items on the Payroll Summary Reports. In addition, no additional procedures were performed with respect to management's representations as to the reasons for the differences.

¹ This RITS submission coincides with the March Semiannual Headcount Report.

4. We randomly selected 25 employees from the Payroll Summary Reports for each of the RITS submissions selected above (hereinafter referred to as schedule B) that met 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).
5. We obtained, for each of the employees listed in schedule B, certified copies of the following documents from the Official Personnel File (OPF):
 - All Notifications of Personnel Actions (SF-50) covering the pay periods in the RITS submissions chosen;
 - The Health Benefit Registration Form (SF-2809) covering the pay periods in the RITS submissions chosen (note: a new SF-2809 is only needed if an employee is changing health benefit plans; therefore, the form could be several years old); and
 - The Life Insurance Election Form (SF-2817) covering the pay periods in the RITS submission chosen (note: a new SF-2817 is only needed if an employee is changing life insurance coverage, therefore, the form could be several years old).
6. We obtained a report from Employee Express for individuals noted in schedule B that used Employee Express during one of the three pay periods selected for any health benefit transactions in that system. We compared the date of the transactions with the date on the certified copy of the SF-2809 requested in step 5, and confirmed that the health benefit information used in step 10 covered the pay periods in the RITS submissions chosen.

Finding: *No exceptions were found as a result of applying the procedure. No additional procedures were performed with respect to the validity of the health benefit transactions obtained from the Employee Express report.*

7. For each of the employees selected in schedule B, we compared the base salary used for payroll purposes (upon which withholdings and contributions are based) from the employee Leave and Earnings Statement to the base salary reflected on the employees' respective SF-50.

Finding: *We found such information to be in agreement.*

8. For each of the employees selected in schedule B, we compared the retirement plan code used for payroll purposes, as noted on the employee Leave and Earnings Statement, to the SF-50.

Finding: *We found such information to be in agreement.*

9. For each of the employees selected in schedule B, we computed employee withholdings and the SSA's contributions by multiplying the base salary (obtained from the employees' SF-50) by the official withholding and contribution rates, which were obtained from the enabling legislation. We compared the calculated withholding and contribution amounts to the actual amounts on the employee Leave and Earnings Statements.

Finding: *We found such amounts to be in agreement.*

10. For each of the employees selected in schedule B, we compared the health benefit rates for employee withholdings and SSA contributions from the employee Leave and Earnings Statement to the official subscription rates issued by OPM for the plan and option elected by each of the employees, as documented by a Health Benefit Registration Form (SF-2809) in the employees' OPF.

Finding: We found such information to be in agreement.

11. For each of the employees selected in schedule B, we inspected the Life Insurance Election Form (SF-2817) obtained from the employees' OPFs for basic life insurance election, and noted that each of the employees elected basic life insurance.

Finding: No exceptions were found as a result of applying the procedure.

12. For each of the employees selected in schedule B, we computed the withholding and contribution amounts for basic life insurance, as follows, and compared the calculated amounts to the actual amounts withheld and contributed from the employee Leave and Earnings Statement.
 - a) For employee withholdings: We rounded the employee's annual base salary to the nearest thousand dollars and added \$2,000. Then, we divided this total by \$1,000 and multiplied it by \$0.155.
 - b) For agency contributions: We divided the employee withholdings calculated in step 12.a. by two.

Finding: We found such amounts to be in agreement.

13. For each of the employees selected in schedule B, we inspected the SF-2817 form obtained from the employees' OPF and verified that optional coverage was elected. We computed the optional coverage withholdings and contributions and compared our calculated totals to the withholdings and contributions on the employee Leave and Earnings Statement, as follows, based upon the options selected by each employee:
 - a. For Option A: We determined the employee's age group using the age groups provided for Option A in the FEGLI Program Booklet. The withholding amount used is based on the rate listed in the FEGLI Program Booklet for that age group.
 - b. For Option B: We inspected the SF-2817 to determine the number of multiples chosen for Option B and determined the employee's age group using the age groups provided for Option B in the FEGLI Program Booklet. We rounded the employee's annual rate of basic pay up to the next \$1,000, divided it by \$1,000, and multiplied it by the rate for the respective age group. We computed the amount withheld by multiplying above calculated amount by the number of multiples chosen.
 - c. For Option C: We inspected the SF-2817 to determine the number of multiples chosen for Option C and determined the employee's age group using the age groups provided for Option C in the FEGLI Program Booklet. We computed the amount withheld by multiplying the rate for the age group by the number of multiples chosen.

Finding: We found such amounts to be in agreement, with one exception. The employee whose social security number ends in 8979 in SPO 2, as shown in schedule B, elected Options A, B, and C per FEGLI '99 Open Enrollment Period Election Form dated June 30, 1999. The employee's SF-50 dated January 13, 2002 shows elections for Options A and B only. The table below shows the FEGLI deduction per the employee's Leave and Earnings Statements for the pay periods noted and the calculated deduction based on employee's Options A, B and C elections, basic pay, age, and multiples per the FEGLI Program Booklet:

<i>Payroll period number</i>		<i>FEGLI deduction per leave and earnings statement</i>	<i>Calculated FEGLI deduction</i>	<i>Difference</i>
200126	\$	13.84	14.44	(0.60)
200205		14.44	15.04	(0.60)
200212		14.44	15.04	(0.60)

14. We randomly selected ten employees from the Payroll Summary Reports who had no health benefit withholdings, noted in schedule C. For each of the ten employees selected, we obtained form SF- 2809 from the OPFs and inspected the form, noting that there was no health benefit coverage election.

Finding: *No exceptions were found as a result of applying the procedure.*

15. We randomly selected ten employees from the Payroll Summary Reports who had no life insurance withholdings, noted in schedule D. For each of the ten employees selected, we obtained form SF-2817 from the OPFs and inspected the form, noting that the employee waived or cancelled basic life insurance coverage.

Finding: *No exceptions were found as a result of applying the procedure.*

16. We calculated the headcount by obtaining the number of employees from the Payroll Summary Report as of February 23, 2002. We compared our calculated headcount with the headcount from the March Semiannual Headcount Report, and identified any differences greater than 2% between the headcount reporting on the SSA Semiannual Headcount Report and the Payroll Summary Report.

Finding: *All differences noted were less than 2% of the headcount reflected on the March Semiannual Headcount Report.*

17. We calculated retirement employee withholdings and employer contributions for the three payroll periods noted above, by multiplying the CSRS and FERS payroll base obtained from the FPPS payroll queries provided by the NBC, by the withholding and employer contribution rates required by law. We compared the calculated totals to the amounts shown on the RITS submissions and identified any variances between the calculated totals and the amounts reported on the RITS submissions greater than 5% of the amounts reported on the RITS submissions.

Finding: *All variances noted were less than 5% of the amounts reported on the RITS submissions. No additional procedures were performed with respect to the validity of the queries provided by the NBC.*

18. We calculated the health benefit employee withholdings and employer contributions for the three payroll periods noted above, by multiplying the number of employees enrolled in each health benefit plan and plan option from the RITS submissions by the employee withholdings and employer contributions for the plan and option from the FPPS payroll queries provided by the NBC. We compared the calculated amounts to the health benefit withholding and contribution amounts shown on the RITS submissions and identified any variances between the calculated totals and the amounts reported on the RITS submissions greater than 5% of the amounts reported on the RITS submissions.

Finding: *All variances between the calculated amounts and the amounts reported on the RITS submissions greater than 5% are reported in schedule E. We were told that the variances noted relate to one-time pay adjustments. No additional procedures were performed with respect to the validity of the queries provided by the NBC. In addition, no additional procedures were performed with respect to management's representation as to the reasons for the variances.*

19. We calculated the basic life insurance employee withholdings for the three payroll periods noted above, by obtaining payroll system queries from the NBC to determine the total number of employees with basic life insurance program coverage and the aggregate annual basic pay for all employees with basic life insurance program coverage. For employee withholdings we added the product of 2,000 times the number of employees with basic life insurance coverage to the aggregate annual basic pay for all employees selected. We divided this total by \$1,000 and multiplied by \$0.155. We compared these results to withholding amounts for basic life insurance coverage reported on the RITS submissions, and identified any variances between the calculated totals and the amounts reported on the RITS submissions greater than 5% of the amounts reported on the RITS submissions.

Finding: All variances noted were less than 5% of the amounts reported on the RITS submissions. No additional procedures were performed with respect to the validity of the payroll system queries provided by the NBC.

20. We calculated the basic life insurance employer contributions for the three payroll periods noted above, by obtaining payroll system queries from the NBC to determine the total number of employees with basic life insurance program coverage and the aggregate annual basic pay for all employees with basic life insurance program coverage, and dividing the results of the employee withholdings calculated in step 19 by two. We compared these results to the amounts reported on the RITS submissions and identified any variances between the calculated totals and the amounts reported on the RITS submissions greater than 5% of the amounts reported on the RITS submissions.

Finding: All variances noted were less than 5% of the amounts reported on the RITS submissions. No additional procedures were performed with respect to the validity of the payroll system queries provided by the NBC.

21. We obtained a payroll system query from the NBC that summarized the number of employees, by age group, who elected Options A, B, and C during the payroll periods noted above. We calculated Option A, Option B, and Option C of the life insurance coverage withholdings for the three payroll periods noted above using the Payroll Summary Reports obtained from NBC by multiplying 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 compared these results to the amounts reported on the RITS submissions, and identified any differences between calculated totals and the amounts reported on the RITS submissions greater than 2% of the amounts reported on the RITS submissions.

Finding: All differences noted were less than 2% of the amounts reported on the RITS submissions. No additional procedures were performed with respect to the validity of the payroll system queries provided by the NBC.

22. We obtained a payroll system query from the NBC that summarized Option B and Option C insurance. We divided the reports for Option B and Option C insurance into the age groups shown in the FEGLI Program Booklet. For Option B, we rounded the employee's annual rate of basic pay up to the next \$1,000, divided by \$1,000, multiplied by the rate for the age group and multiplied this total by the number of multiples. For Option C, we multiplied the rate for the age group by the number of multiples chosen for each employee, compared these results to the amounts reported on the RITS submissions for Options B and/or C, and identified any differences between the calculated totals and the amounts reported on the RITS submissions for Options B and/or C greater than 2% of the amounts reported on the RITS submissions for Options B and/or C.

Finding: All differences noted were less than 2% of the amounts reported on the RITS submissions for Options B and/or C. No additional procedures were performed with respect to the validity of the payroll system queries provided by the NBC.

SOCIAL SECURITY ADMINISTRATION**RITS Submission to Payroll Summary Reconciliation**

Payroll periods ended December 15, 2001, February 23, 2002, and June 1, 2002

Payroll period	Employee line item		Amount per RITS	Amount per payroll summary report	Difference	Percent difference
200126	Military Service	\$	12,930.63	8,669.73	4,260.90	49.147%
200205	Military Service		24,006.10	10,090.58	13,915.52	137.906%
200212	Military Service		16,296.72	9,888.94	6,407.78	64.797%

See independent accountants' report on the application of agreed-upon procedures.

SOCIAL SECURITY ADMINISTRATION

Employees With Retirement, Health Insurance, and Life Insurance

Sample Item	Last four digits of social security number	SPO
1	1006	2
2	9244	2
3	8979	2
4	9009	2
5	9490	2
6	0567	2
7	2254	4
8	5457	4
9	9786	6
10	5440	6
11	3404	9
12	1245	13
13	8029	13
14	0698	13
15	1630	13
16	9079	18
17	6568	27
18	2229	27
19	8730	29
20	3680	31
21	8376	43
22	3994	54
23	4718	54
24	9163	54
25	9427	68

See independent accountants' report on the application of agreed-upon procedures.

SOCIAL SECURITY ADMINISTRATION

Employees With No Health Insurance

Sample Item	Last four digits of social security number	SPO
1	4907	31
2	0343	31
3	8723	13
4	2177	47
5	0990	54
6	8744	11
7	7264	54
8	1122	9
9	2536	31
10	6515	9

See independent accountants' report on the application of agreed-upon procedures.

SOCIAL SECURITY ADMINISTRATION

Employees With No Life Insurance

Sample Item	Last four digits of social security number	SPO
1	8449	4
2	1084	6
3	4756	6
4	9358	54
5	6930	6
6	4008	4
7	2639	6
8	5500	6
9	9931	11
10	5033	31

See independent accountants' report on the application of agreed-upon procedures.

SOCIAL SECURITY ADMINISTRATION

Variances Exceeding 5% – Health Insurance Contributions

Calculated Amount Versus RITS Submission

Payroll period	Enrollment code	Percent variance
200126	321	5.21%
200126	534	16.67%
200126	535	(24.92)%
200126	5E1	20.31%
200126	5E2	(12.82)%
200126	7D1	12.19%
200126	7D2	(5.79)%
200126	D42	(6.38)%
200126	DF2	11.22%
200126	EC2	12.00%
200126	JB2	(100.00)%
200126	L41	7.04%
200126	LN1	11.11%
200126	PX2	12.35%
200126	SJ2	35.91%
200126	XM1	166.67%
200205	101	(566.60)%
200205	102	(14.00)%
200205	171	7.15%
200205	261	12.08%
200205	262	(6.98)%
200205	315	15.24%
200205	542	5.55%
200205	571	(32.73)%
200205	572	45.87%
200205	691	(100.00)%
200205	692	(100.00)%
200205	6F1	(83.33)%
200205	6W1	(180.37)%
200205	7L2	180.63%
200205	9K1	28.45%
200205	EQ1	(135.22)%
200205	EQ2	(300.00)%
200205	IN1	(15.63)%
200205	KL2	(122.22)%
200205	LD2	(255.56)%
200205	Q81	15.27%
200205	SU1	(100.00)%
200205	SU2	(100.00)%
200205	UB2	(13.44)%
200205	UK2	(169.05)%
200212	472	5.26%
200212	511	5.22%
200212	571	(14.04)%
200212	572	13.24%
200212	2F2	(100.00)%
200212	2U1	7.02%
200212	3N2	(82.45)%
200212	8X1	(100.00)%
200212	K72	(100.00)%
200212	KA1	(10.31)%
200212	KA2	11.51%

See independent accountants' report on the application of agreed-upon procedures.