

# Memorandum

DATE: July 9, 2007 Audit Report Number: OAS-L-07-14

REPLY TO:

ATTN OF: IG-34 (A07FN008)

SUBJECT: Report on "Agreed-Upon Procedures for Federal Payroll"

TO: Director, Office of Human Capital Management, HR-1  
Director, Policy and Internal Controls Management, NA-66

## INTRODUCTION AND OBJECTIVE

The Office of Management and Budget (OMB) Bulletin No. 06-03 (Bulletin), "Audit Requirements for Federal Financial Statements," dated August 23, 2006, requires an annual audit of civilian payroll of executive departments and other government agencies. Auditors are required to follow the agreed-upon procedures in Appendix I-1 of the Bulletin, to assess the reasonableness of life insurance, health benefits, and retirement withholdings and contributions.

In Fiscal Year 2007, the Department of Energy (Department) used the Defense Finance and Accounting Service to process its payroll. For this audit of civilian payroll, the Department of Defense (DoD) Office of Inspector General (OIG) is the principal auditor. Our office performed the agreed-upon procedures under a Memorandum of Understanding with the DoD OIG. The purpose of this audit was to determine whether life insurance, health benefits, and retirement withholdings and contributions for selected Department employees were reasonable and accurate.

## CONCLUSIONS AND OBSERVATIONS

For the most part, the life insurance, health benefits, and retirement withholdings and contributions for our sample of 45 employees were reasonable and accurate. However, our review disclosed two errors. First, due to an administrative error by the National Nuclear Security Administration (NNSA), one employee's withholding for life insurance under the Federal Employees' Group Life Insurance program was inaccurate. In addition, as a result of an administrative error by the Headquarters Human Resources Operations Division, one Energy Efficiency & Renewable Energy employee's withholding for health insurance under the Federal Employees Health Benefit program was inaccurate.

We referred the NNSA error to the Human Resource Manager, NNSA Office of Human Capital Management Services and the Headquarters error to the Director, Headquarters Human Resources Operations Division, both of whom indicated that the errors would be corrected.

No recommendations or suggestions are being made and a response to this report is not required. We appreciate the cooperation of your staff during our review.



Rickey R. Hass  
Assistant Inspector General  
for Financial, Technology and Corporate Audits  
Office of Audit Services  
Office of Inspector General

Attachment

cc: Audit Liaison, Office of Management, Budget and Evaluation, CF-1.2

**SCOPE AND METHODOLGY**

We reviewed amounts withheld and contributed by Department employees for the pay period ending October 28, 2006, in accordance with procedures under the Memorandum of Understanding with the DoD OIG and steps 2 through 4 in Appendix I-1 of OMB Bulletin No. 06-03. The audit was performed from February to May, 2007 at program offices in Germantown, Maryland and Washington, D.C.

To accomplish the audit objective, we:

- Obtained a random sample of 45 Department employees from the DoD OIG, of which 25 had retirement, health benefits and life insurance; 10 had no health benefits; and 10 had no life insurance;
- Reviewed OMB Bulletin No.06-03 "Audit Requirements for Federal Financial Statements," Appendix I-1 Agreed-Upon Procedures;
- Contacted the responsible personnel official at each site to obtain copies of information in each employee's Official Personnel File (OPF);
- Reviewed OPF's and obtained copies of employees' Notification of Personnel Action (SF-50); Health Benefit election form (SF-2809); Federal Employees' Group Life Insurance election form (SF-2817); and Thrift Saving Plan election form (TSP-1);
- Calculated gross pay, health benefits, life insurance, and retirement withholdings and contributions for accuracy;
- Analyzed each document to verify that employees' withholdings and contributions were consistent with Defense Finance and Accounting Service data;
- Analyzed each document for anomalies;
- Spoke with Human Resources Officers and Personnel Specialists responsible for maintaining OPF's at each site to request additional documents; and,
- Summarized our analysis of each of the 45 sample items and provided the results to the DoD OIG.

We conducted the audit in accordance with generally accepted Government auditing standards for financial audits. Our test work was limited to the procedures listed under the Memorandum of Understanding and contained in Appendix I-1 of OMB Bulletin No. 06-03. Because our review was limited, it

would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our audit.

We discussed the issues in this report with NNSA and the Office of Human Capital Management, on May 31, 2007.