

United States Government

Department of Energy

Memorandum



DATE: July 29, 2005

REPLY TO

ATTN TO: IG-34 (A05HQ002)

Audit Report No. OAS-L-05-10

SUBJECT: Agreed-Upon Procedures for Federal Payroll

TO: Director, Office of Management, Budget, and Evaluation/Chief Financial Officer, ME-1

INTRODUCTION AND OBJECTIVE

The Office of Management and Budget (OMB) Bulletin No. 01-02, "Audit Requirements for Federal Financial Statement," dated October 16, 2000, 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 OMB Bulletin No. 01-02, to assess the reasonableness of life insurance, health benefits, and retirement withholdings and contributions.

In 2005, the Department of Energy (Department) used the Defense Finance and Accounting Service (DFAS) 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 DOE employees' were reasonable and accurate. The audit methodology is described in an attachment to this report.

CONCLUSIONS AND OBSERVATIONS

With minor exceptions, we found that life insurance, health benefits, and retirement withholdings and contributions for Department employees' were reasonable and accurate. However, due to an administrative error by the Savannah River Operations Office, one Savannah River employee's withholding for a life insurance premium under the Federal Employees' Group Life Insurance (FEGLI) program was inaccurate. There were also two employees whose life insurance and retirement withholdings were based on miscalculations and rounding errors by DFAS. These errors were minor and the details omitted from this report because they were outside of the Department's control.

We referred the error regarding the Savannah River employee to the Director of Human Resources Management and Development Division at the Savannah River Operations Office, who indicated that the error would be corrected in a manner that would not impact the employee.

Since this report contains no recommendations, no response is 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: Team Leader, Audit Liaison, ME-100
Audit Liaison, SR

SCOPE AND METHODOLGY

We reviewed amounts withheld and contributed by DOE employees for the pay period ending October 16, 2004, in accordance with procedures under the Memorandum of Understanding with the DoD OIG and steps 3 – 5 in Appendix I-1 of OMB Bulletin No. 01-02. The audit was performed from April 28 to May 31, 2005 at program offices in Germantown, MD; Washington, D.C.; Morgantown, WV; Albuquerque, NM; Richland, WA; Idaho Falls, ID; and Aiken, SC; and at the Western Area Power Administration in Lakewood, CO; Southeastern Power Administration in Elberton, GA; and Southwestern Power Administration in Jonesboro, AR.

To accomplish the audit objective, we:

- Obtained a sample of 45 DOE employees, of which 25 had retirement, health benefits and life insurance; 10 had no health benefits; and 10 had no life insurance. This sample was randomly selected and provided to us by the DoD OIG;
- Reviewed OMB Bulletin No.01-02, "Audit Requirements for Federal Financial Statement," 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 (FEGLI) 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 whether employees' withholdings and contributions were consistent with DFAS payroll data;
- Analyzed each document for anomalies;
- Held meetings via the telephone with Human Resources Officers and Personnel Specialists responsible for maintaining OPF's at each site to request additional documents; and,

- Summarized the results of 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. 01-02. 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 the Director, Energy Finance and Accounting Service on July 21, 2005.

5.8
(08-93)

United States Government

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Memorandum

DATE: **AUG 19 2005**

REPLY TO

ATTN OF: IG-34 (A05HQ002)

SUBJECT: Final Report Package for "Agreed-Upon Procedures for Federal Payroll"

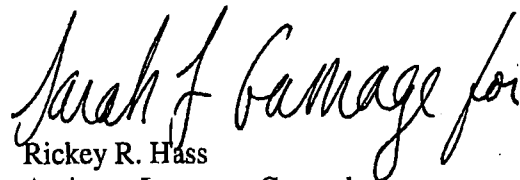
TO: Linda J. Snider, Assistant Inspector General, Audit Planning & Administration *MS*

Attached is the required final report package on the subject audit. The pertinent details are:

1. Actual Staff days: 49.8
Actual Elapsed days: 92
2. Names of OIG and/or contractor audit staff:
Assistant Director: Sarah Gamage
Team Leader: Brad Milliron
Auditor-in-Charge: LaNitra Brundage

3. Coordination with Investigations and Inspections:

Coordination was done as part of the annual financial statement audit.



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

Attachments:

1. Final Report
2. Monetary Impact Report
3. Audit Project Summary Report
4. Audit Database Information Sheet

MONETARY IMPACT OF REPORT NO.: OAS-L-05-10

1. Title of Audit: Agreed-Upon Procedures for Federal Payroll

2. Division: Financial, Technology, and Corporate Audits

3. Project No.: A05HQ002

4. Type of Audit:

Financial: X Performance: _____
 Financial Statement X Economy and Efficiency _____
 Financial Related _____ Program Results _____
 Other (specify type): _____

5. Please report monetary savings identified in the report using applicable columns. Provide additional explanations of audited activities/locations in Section No. 6 - Remarks.

FINDING		COST AVOIDANCE		QUESTIONED COSTS				MGT. POSITION	POTENTIAL BUDGET IMPACT
(A)	(B) Title	(C) One Time	(D) Recurring Amount PerYear	(E) Questioned	(F) Unsupported	(G) Unresolved	(H) Total (E)+(F)+(G)	(I) C=Concur N=Noncon U=Undec	(J) Y=Yes N=No
	Life insurance withholding was inaccurate								
TOTALS-ALL FINDINGS									N

6. Remarks:


Condition:

The Savannah River Operations Office did not withhold enough from one employee's salary to cover the premium for the employee's life insurance. Moreover, withholdings for two additional employees were also incorrect but these errors were beyond the Department's control.

Cause:

Due to an administrative error, information from the employee's SF-2817 - Federal Employee's Group Life Insurance (FEGLI) was recorded incorrectly.

Effect: The error appeared to be a simple oversight.

7. Contractor: None 10. Approvals:
8. Contract No.: _____ Division Director/Date: _____
9. Task Order No.: _____ Technical Advisor & Date: 

Office of the Inspector General (OIG)
 Audit Project Office Summary (APS)

Report run on: August 18, 2005 8:28 AM

Audit#: A05HQ002 Ofc: CGA Title: AGREED UPON PROCEDURES FEDERAL PAYROLL REVIEW

****** Milestones ******

	Planned	End of Survey	Revised	Actual
Entrance Conference:.....	12-APR-05		28-APR-05	28-APR-05
Survey:.....				
Draft Report:.....				
Completed (With Report):..	30-SEP-05			29-JUL-05 (R)
-----Elapsed Days:	171			92

Elap. Less Susp:

Date Suspended: Date Terminated:
 Date Reactivated: Date Cancelled:
 DaysSuspended (Cur/Tot):) Report Number: OAS-L-05-10
Rpt Title: Report Type: LTR LETTER REPORT

AGREED-UPON PROCEDURES FOR FEDERAL PAYROLL

****** Audit Codes and Personnel ******

Class: FIN FINANCIAL
 Function: 001 BUDGET AND FINANCE
 MgtChall: Not Found
 Site: MRA MULTI-REGION AUDIT
 SecMiss: CMT CORPORATE MANAGEMENT
 PresInit: IFP IMPROVED FINANCIAL P

AD: 403 HASS
 AIC: 819 BRUNDAGE
 Team Ldr: 256 MILLIRON
 Tech Adv: 833 RUBB

****** Task Information ******

Task No:
 Task Order Dt: CO Tech. Rep:
 Orig Auth Hrs: Orig Auth Costs:
 Current Auth: Current Auth Cost:
 Tot Actl IPR Hr: Tot Actl Cost:

**** Time Charges ****		
Emp/Cont Name	Numdays	Last Date
LUBECKE, W	0.5	14-MAY-05
DZARA, C	1.3	06-AUG-05
MILLIRON, B	9.0	06-AUG-05
BRUNDAGE, L	40.3	06-AUG-05
Total:	51.1	

AUDIT DATABASE INFORMATION SHEET**Project No.:** A05HQ002**Title of Audit:** Agreed-Upon Procedures for Federal Payroll**Report No./Date:** OAS-L-05-10 July 29, 2005**Management Challenge Area:** None**Presidential Mgmt Initiative:** Improve Financial Performance**Secretary Priority/Initiative:** Corporate Management**Program Code:** ME**Location/Sites:**

Washington, DC Germantown, MD
Morgantown, WV Albuquerque, NM
Richland, WA Idaho Falls, ID
Aiken, SC
Western Area Power Administration in Lakewood, CO
Southeastern Power Administration in Elberton, GA
Southwestern Power Administration in Jonesboro, AR

Finding Summary:

Due to an administrative error by the Savannah River Operations Office, one Savannah River employee's withholding under the Federal Employee's Group Life Insurance (FEGLI) program was inaccurate. In addition, there were two employees whose life insurance and retirement withholdings that had miscalculations and rounding errors that were caused by the Defense Finance and Accounting Service (DFAS). These errors were minor and outside of the Department's control.

We referred the error to the Director of Human Resources Management and Development Division at the Savannah River Operations Office, who indicated that the error would be corrected in a manner that would not impact the employee.

Keywords:

Payroll
Withholdings and Contributions
Savannah River

DFAS (Defense Finance and Accounting Service)
Agree-upon Procedures
Office of Management and Budget (OMB)