

Memorandum

DATE: August 18, 2008 Audit Report Number: OAS-L-08-16

REPLY TO:
ATTN OF: IG-34 (A08FN008)

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

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

INTRODUCTION AND OBJECTIVE

The Office of Management and Budget Bulletin No. 07-04 (Bulletin), "Audit Requirements for Federal Financial Statements," dated September 4, 2007, requires an annual audit of civilian payroll of executive departments and other Government agencies. Auditors are required to follow the agreed-upon procedures in Section 11 of the Bulletin to assess the reasonableness of life insurance, health benefits, and retirement withholdings and contributions.

In Fiscal Year 2008, 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 Agreement with the DOD OIG. The purpose of this audit was to determine whether life insurance, health and retirement benefits withholdings and contributions for selected Department employees were reasonable and accurate.

CONCLUSIONS AND OBSERVATIONS

Generally, the life insurance, health and retirement benefits withholdings and contributions for our sample of 64 employees were reasonable and accurate. Our review did, however, disclose two administrative errors. First, authorization of health benefits payroll withholdings for one National Nuclear Security Administration (NNSA) employee was supported by a health benefits election form that did not contain the employee's signature. Secondly, the official personnel file of one Headquarters Office of Fossil Energy employee did not contain a life insurance election form to support the employee's waiver of insurance coverage.

We referred the NNSA error to the Human Resources Director, NNSA, Office of Human Capital Management Services and the Headquarters error to the Deputy Director, Headquarters Human Resources Operations Division, both of whom indicated that the errors have been corrected and care would be taken to avoid such errors in the future.

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.

A handwritten signature in black ink, appearing to read 'Rickey R. Hass', with a stylized, cursive script.

Rickey R. Hass
Assistant Inspector General
for Environment, Science, and Corporate Audits
Office of Inspector General

Attachment

cc: Audit Liaison, Office of Chief Financial Officer, CF-1.2
Audit Liaison, Office of Human Capital Management, HC-30

SCOPE AND METHODOLOGY

We reviewed amounts withheld and contributed by Department of Energy (Department) employees for the pay period ending October 27, 2007, in accordance with procedures under the Memorandum of Agreement (MOA) with the Department of Defense (DOD) Office of Inspector General (OIG) and steps 2 through 4 in Section 11 of the Office of Management and Budget Bulletin No. 07-04 (Bulletin). The audit was performed from February to July 2008 at program offices in Germantown, MD and Washington, DC.

To accomplish the audit objective, we:

- Obtained a random sample of 64 Department employees from the DOD OIG, of which 34 had retirement, health benefits, and life insurance; 15 had no health benefits; and 15 had no life insurance;
- Reviewed Section 11 of the Bulletin, "Audit Requirements for Federal Financial Statements," Agreed-Upon Procedures;
- Contacted the responsible personnel official at each site to obtain copies of relevant supporting information from each employee's official personnel file (OPF);
- Reviewed OPFs and obtained copies of employees' Notification of Personnel Action (SF-50); Health Benefits Election Form (SF-2809); Life Insurance Election Form (SF-2807); Thrift Savings Plan Election Form (TSP-1) and agency automated system reports;
- 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 OPFs at each site to request additional documents; and,
- Summarized our analysis of each of the 64 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 MOA and contained in Section 11 of the Bulletin. 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. A draft of this report was provided to National Nuclear Security Administration and Office of Human Capital Management representatives on July 8, 2008, both of whom agreed with the report.