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**U.S. Department of Labor  
Employee Benefits Security Administration**

**Fiscal Year 2008 Thrift Savings Plan  
Fiduciary Oversight Program**

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**Presentation  
to the  
Federal Retirement Thrift Investment Board  
February 19, 2008**



Department of Labor

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## **Employee Benefits Security Administration TSP Fiduciary Oversight Program**

### **Presentation to the Federal Retirement Thrift Investment Board**

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## **I. Overall Assessment for Fiscal Year 2007**

- No instances of material non-compliance with FERSA came to our attention.
- The Agency has controls in place for TSP information security.
- Metropolitan Life has controls in place for the TSP annuity program. All prior recommendations have been closed.
- Significant recommendations still open, but in remediation, principally address system access and technical security issues and recoverability.



## II. Summary of Significant Issues

- **System Security and Recoverability**
  - Complete and implement the TSP security related policies and procedures.\*
  - Document, implement, and enforce logical access controls over privileged users to help ensure only authorized access to sensitive areas of TSP systems.\*
  - Evaluate and apply the level of technical controls over the TSP systems (applications and networks) recommended by the TSP System Security Plan.
  - Update, finalize, and disseminate business continuity documentation. Train requisite personnel.\*
  - Complete comprehensive service continuity testing of all relevant TSP business components with relevant stakeholders, including backup tape restoration capabilities at the backup site. \*
  
- **Security over Laptop and Portable Devices at the Agency**
  - Complete and implement the Agency's Personally Identifiable Information Incident Response and Notification Plan.
  - Complete encryption of all laptops.
  - Consider adding increased password controls to strengthen already existing controls over the Agency's portable electronic devices.

\* Communicated at prior Board Meeting(s).



### **III. Future EBSA Initiatives**

As funding permits:

- Complete a second review cycle of all daily valuation TSP processes (initially completed in FY 2004 and FY 2005).
- Review GAO's TSP operations for FERSA compliance (an initial audit).
- Complete periodic FERSA compliance review of CIA's separate TSP operations (last reviewed by DOL in FY 2003; and the CIA OIG in FY 2000).
- Complete uniformed services reviews, initiated by DOL in FY 2004.



## IV. Scope of TSP Performance Audits

	<u>Plan 2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b><u>EDP-Related Audits</u></b>					
1. System Enhancements and Software Change Controls	FS	—	—	—	—
2. IT Hardware Operations Management/Mainframe	—	—	—	SP	—
3. Computer Access Controls and Security	FS	FS	—	—	—
4. Technical Security Vulnerability Assessment	SP	SP	—	—	—
5. Backup, Recovery, and Contingency Planning	LTD	—	SP	—	—
6. System Availability and Capacity Readiness/ TSP Capacity Planning	LTD	—	—	—	—
7. Post-implementation Review of New System	—	—	—	—	SP
<b><u>Process/Subsystem Audits</u></b>					
8. Account Maintenance	—	—	—	—	FS
9. Participant Support/Call Center Operations	—	—	SP(1)	SP(2)	FS(4)
10. Forfeitures	—	—	—	—	(3)
11. Interfund Transfers	—	—	—	—	(3)
12. Withdrawals	—	—	—	FS	—
13. Loan Operations	—	—	—	SP	FS

(1) Clintwood call center only

(3) Included in the Account Maintenance audit

(2) Cumberland call center only

(4) Included New Orleans call center

FS = Full Scope

LTD = Limited Scope

SP = Special Project

**KPMG**



#### IV. Scope of TSP Performance Audits (continued)

<u>Other Non-Agency TSP Activities</u>	<u>Plan 2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
1. Treasury "G" Fund Investment Operations	–	–	FS	–	–
2. Investment Manager Operations ("F", "C", "S" and "I" Funds)	–	–	FS	–	–
3. Annuity Operations	–	FS	–	–	FS
4. Board's Staff Operations	–	LTD	–	–	SP*
5. Review of CIA Office of Inspector General (OIG) TSP Audit	–	–	–	–	–
6. Review of Abandonment Policies	–	–	–	–	–

\* Review of customer service concerns and accounting for AMS settlement, only.

FS = Full Scope

LTD = Limited Scope

SP = Special Project



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### IV. Scope of TSP Performance Audits (continued)

	<u>Plan 2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003 and Prior</u>
<b><u>Uniformed Services</u></b>						
1. U.S. Marine Corps	-	-	-	-	FS	-
2. U.S. Army	-	-	FS	-	-	-
<b><u>Federal Agencies</u></b>						
3. Administrative Office of the U.S. Courts	-	-	-	-	-	R/LTD
4. Army - Aberdeen Proving Ground	-	-	-	-	-	LTD
5. Army - Defense Personnel Center	-	-	-	-	-	FS
6. Army - Fort Meade	-	-	-	-	-	LTD
7. Army - Fort Myers	-	-	-	-	-	R/FS
8. Bolling Air Force Base	-	-	-	-	-	FS
9. Defense Logistics Agency	-	-	-	-	-	FS
10. Department of Agriculture - NFC	-	-	-	-	-	R/FS
11. Department of Agriculture - Farm Service Agency	-	-	-	-	-	FS
12. Department of the Army - Corps of Engineers	-	-	-	-	-	R/FS
13. Department of Commerce	-	-	-	-	-	R/FS
14. Department of Energy	-	-	-	-	-	R/FS
15. Department of Health & Human Resources	-	-	-	-	-	LTD
16. Department of Housing and Urban Development	-	-	-	-	-	R/FS
17. Department of Interior - Denver	-	-	-	-	-	R/FS
18. Department of Justice	-	-	-	-	-	R/LTD
19. Department of Labor	-	-	-	-	-	R
20. Department of State	-	-	-	-	-	R/FS

FS = Full Scope

LTD = Limited Scope

R = Follow-up Review



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#### IV. Scope of TSP Performance Audits (continued)

<u>Federal Agencies (continued)</u>	<u>Plan 2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003 and Prior</u>
21. Department of Transportation - Oklahoma	-	-	-	-	-	R/FS
22. Department of Veterans Affairs	-	-	-	-	-	R/FS
23. DFAS - Charleston and Army - Ft. Monmouth	-	-	-	-	-	FS
24. DFAS - Columbus and Defense Logistics Agency	-	-	-	-	-	FS
25. DFAS - Denver and North Island Naval Air Station	-	-	-	-	-	R/FS
26. DFAS - Pensacola and Naval Sea System Command	-	-	-	-	-	FS
27. Environmental Protection Agency	-	-	-	-	-	FS
28. Federal Bureau of Investigation	-	-	-	-	-	FS
29. Federal Deposit Insurance Corporation	-	-	-	-	-	FS
30. General Services Administration	-	-	-	-	-	R/FS
31. House of Representatives	-	-	-	-	-	R
32. Kelly Air Force Base - San Antonio	-	-	-	-	-	R/FS
33. NASA	-	-	-	-	-	FS
34. National Security Agency	-	-	-	-	-	LTD
35. Naval Publications and Forms Center	-	-	-	-	-	R/LTD
36. Naval Research Laboratory	-	-	-	-	-	R/FS
37. Naval - Supply Center, Norfolk	-	-	-	-	-	R/LTD
38. Navy - Atlantic Fleet	-	-	-	-	-	LTD
39. Navy - Norfolk Naval Shipyard	-	-	-	-	-	R/LTD
40. Navy Regional Finance Center	-	-	-	-	-	R/FS
41. Nuclear Regulatory Commission	-	-	-	-	-	FS
42. Postal Service	-	-	-	-	-	R/FS
43. Treasury (Includes IRS)	-	-	-	-	-	FS

FS = Full Scope

LTD = Limited Scope

R = Follow-up Review





## V. Tentative Schedule of Fiscal Year 2008 TSP Audits

<u>Performance Audits</u>	<u>Work Begins</u>	<u>FRTIB Exit</u>
Computer Access Controls and Security	12/1/07	4/16/08
Technical Security Vulnerability Assessment	12/1/07	4/16/08
System Enhancements and Software Change Controls	2/1/08	5/30/08
System Availability/Capacity Planning/Backup and Recovery	2/1/08	5/30/08



## VI. Summary of Open Recommendations

<b><u>EDP-Related Audits</u></b>	<b><u>Fundamental Controls</u></b>	<b><u>Efficiency/ Effectiveness</u></b>	<b><u>Total</u></b>	<b><u># Open Originating Prior to 2007</u></b>
1. System Enhancements and Software Change Controls	--	--	--	--
2. IT Hardware Operations Management/Mainframe (3)	1	--	1	1
3. Computer Access Controls and Security (1)	5	--	5	--
4. Security Penetration and Vulnerability	--	--	--	--
5. Backup, Recovery, and Contingency Planning (2)	1	--	1	1
6. System Availability and Capacity Readiness/TSP Capacity Planning	--	--	--	--



## VI. Summary of Open Recommendations (continued)

<u>EDP-Related Audits</u>	<u>Fundamental Controls</u>	<u>Efficiency/ Effectiveness</u>	<u>Total</u>	<u># Open Originating Prior to 2007</u>
7. Post-implementation Review of the New System (4)	1	--	1	1
<u>Process/Subsystem Audits</u>				
8. Account Maintenance (4)	--	1	1	1
9. Participant Support/ Call Center (2)	--	3	3	3
10. Forfeitures	--	--	--	--
11. Interfund Transfers	--	--	--	--
12. Withdrawals (3)	--	4	4	4
13. Loan Operations (3)	--	1	1	1



## VI. Summary of Open Recommendations (continued)

<u>Other Non-Agency TSP Activities</u>	<u>Fundamental Controls</u>	<u>Efficiency/ Effectiveness</u>	<u>Total</u>	<u># Open Originating Prior to 2007</u>
1. Treasury "G" Fund Investment Operations	--	--	--	--
2. Investment Manager Operations ("F", "C", "S" and "I" Funds)	--	--	--	--
3. Annuity Operations (1)	1	2	3	--
4. Board's Staff Operations (1)	1	--	1	--
5. Review of CIA- OIG's TSP Audit	--	--	--	--
6. Review of Abandonment Policies	--	--	--	--
Total Non-agency Recommendations	<u>10</u>	<u>11</u>	<u>21</u>	<u>12</u>

(1) The most recent report was FY 2007.

(2) The most recent report was FY 2006.

(3) The most recent report was FY 2005.

(4) The most recent report was FY 2004.



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## Supplemental Information



## **A. Overview of the EBSA TSP Fiduciary Oversight Program**

### **1. EBSA's TSP Fiduciary Oversight Responsibility**

The Thrift Saving Plan (TSP) was authorized by Congress under the Federal Employees' Retirement System Act (FERSA) of 1986 (Public Law 99-335).

The Employee Benefits Security Administration (EBSA), through the statutory reference to the Secretary of Labor [5 USC 8477(g)], is responsible for establishing a program to carry out audits to determine the level of compliance with the requirements of FERSA relating to fiduciary responsibilities and prohibited activities of fiduciaries.



## **A. Overview of the EBSA TSP Fiduciary Oversight Program (continued)**

### **2. EBSA's Approach to the Fiduciary Oversight Program**

EBSA's TSP audit procedures are designed to comply with *Government Auditing Standards*, published by the Government Accountability Office (GAO), for conducting the following audits:

- Financial audits, including reviews of contracts/memoranda of understanding, internal control systems, computer-based systems, and related TSP transaction processing; and
- Performance audits, including economy and efficiency and program reviews.



## **A. Overview of the EBSA TSP Fiduciary Oversight Program (continued)**

### **3. EBSA's Fiduciary Oversight Program**

EBSA's program is designed to determine whether:

- The fiduciaries are acquiring, protecting, and using TSP resources economically, efficiently, and solely in the interest of TSP participants and beneficiaries;
- The fiduciaries have complied with FERSA and applicable laws and regulations;
- The TSP program activities, functions, and organization are cost effective and efficient; and
- EBSA's previous TSP recommendations have been adequately acted upon.



## **A. Overview of the EBSA TSP Fiduciary Oversight Program (continued)**

### **4. Other Benefits**

Besides discharging the Secretary of Labor's statutory responsibilities for a TSP audit program, the EBSA Fiduciary Oversight Program provides the following benefits to TSP participants and beneficiaries:

- Certain audit assurances that their retirement assets are properly protected; and
- Potential opportunities for greater future cost savings through implementation of EBSA-identified enhancements to TSP system operations.



## **B. Examples of TSP Information Obtained for Each Audit**

- Prior audit reports
- Organization charts
- Position descriptions
- Flowcharts
- Narratives describing work flows
- Descriptions of support systems
- Identification and evaluation of key TSP control points
- EBSA, Federal Retirement Thrift Investment Board members, and Agency management concerns



## **C. Uses of TSP Information Obtained for Each Audit**

- Test internal controls
- Test TSP transactions and activities for compliance with applicable laws and regulations
- Conclude on the TSP fiduciaries' overall FERSA-related compliance
- Address EBSA, the Federal Thrift Investment Board, and Agency concerns, as practicable
- Provide input for Congressional testimony
- Update EBSA's TSP Fiduciary Oversight Program Manual



## **D. Audit and Report Process of Each TSP Fiduciary Compliance Audit**

- Preliminary planning meeting(s)
- Entrance conference
- Completion of field work
- Agency's initial review of pre-exit conference draft report (or sections thereof)
- Exit conference
- Agency's 30 day technical review period of draft report
- Final report, forwarded to the Executive Director for formal written response to DOL EBSA
- The Executive Director's presentation of report and formal written response to DOL EBSA at scheduled meetings of the Board
- Summarized final report forwarded to DOL Deputy Assistant Secretary (Program Operations) for appropriate further action, if necessary
- DOL and contractors present significant findings and recommendations and next year's TSP audit plan annually at a scheduled Board meeting



## **E. Overview of the TSP Performance Audit Objectives**

### **EDP-Related Audits**

- |   |   |
|---|---|
| 1. System Enhancements and Software Change Controls | Determine whether controls are in place over: (1) project management practices, (2) enhancements to industry and control standards, and (3) changes to and deviations from authorized TSP software. |
| 2. IT Hardware Operations Management/Mainframe      | Determine the adequacy of operational efficiencies and management effectiveness in scheduling, hardware operations management, and physical access to IT equipment and information.                 |
| 3. Computer Access Controls and Security            | Determine whether controls safeguarding computerized access to data and programs are in place to prevent unauthorized use, modification, damage, or loss.   |



## **E. Overview of TSP Performance Audit Objectives (continued)**

### **EDP-Related Audits**

- |  |  |
|--|--|
| 4. Technical Security<br>Vulnerability<br>Assessment                       | Determine whether technical controls are in place to safeguard information resources and assets and to detect and respond to breaches to the TSP technical architecture. |
| 5. Backup, Recovery, and<br>Contingency Planning                           | Determine whether policies, procedures, and related controls are in place to restore TSP operations effectively and timely in the event of a disaster.                   |
| 6. System Availability<br>and Capacity Readiness/<br>TSP Capacity Planning | Evaluate controls that manage system availability and reliability risks applicable to TSP system software.   |



## **E. Overview of TSP Performance Audit Objectives (continued)**

### **EDP-Related Audits**

- |   |  |
|---|--|
| 7. Post-implementation Review of the New System | Document the controls and operation of the new TSP System, and review the accuracy of the data conversion. |
|---|--|

### **Process/Subsystem Audits**

- |                         |  |
|-------------------------|--|
| 8. Account Maintenance* | Determine whether (1) participant account balances accurately record summary and detail contributions and earnings, (2) processing occurs timely, and (3) control procedures have been established and are in place for processing error corrections and breakage/lost earnings according to legal requirements. |
|-------------------------|--|



## **E. Overview of TSP Performance Audit Objectives (continued)**

### **Process/Subsystem Audits**

- |                            |  |
|----------------------------|--|
| 9. Participant Support/CC* | Determine whether (1) TSP information remitted to the participant is accurate and timely, (2) participant inquiries are resolved properly and timely, and (3) confirmation and reject notices are processed accurately and timely. |
| 10. Forfeitures*           | Determine whether participant forfeitures and forfeiture restorations are proper and accurate.   |
| 11. Interfund Transfers*   | Determine whether participant account balances accurately reflect "G", "F", "C", "S", "I" and "L" Fund balances as elected by participants.  |



## **E. Overview of TSP Performance Audit Objectives (continued)**

### **Process/Subsystem Audits**

- |                      |   |
|----------------------|---|
| 12. Withdrawals*     | Determine whether procedures and controls are in place to ensure proper, accurate, and timely input, processing, disbursing, and recording of participant post-separation and in-service withdrawals. |
| 13. Loan Operations* | Determine whether procedures and controls are in place to ensure proper, accurate, and timely input, processing, and output of data.  |

\*These process performance audits include testing of the process's related application controls. This non-statistical testing determines whether the application controls over input, processing, and output are in place and functioning at the process level. Thus, conclusions on the operations at the process level are based on both automated and manual controls.



## **E. Overview of TSP Performance Audit Objectives (continued)**

### **Other Non-Agency TSP Activities**

- |  |  |
|--|--|
| 1. Treasury "G" Fund<br>Investment Operations                        | Determine whether the interest rate paid on "G" Fund investments is derived in accordance with FERSA and Agency requirements and whether the Treasury's application of the interest rate to "G" Fund investments is accurate.  |
| 2. Investment Manager<br>Operations ("F", "C", "S"<br>and "I" Funds) | Determine whether (1) TSP transactions are processed accurately and timely, (2) investment management operations comply with FERSA, including conditions of applicable cross-trading and in-kind exemption conditions, (3) proxies of the "C", "S" and "I" Funds are voted in accordance with applicable fiduciary standards, and (4) the vendor is complying with provisions of the contract between the Agency and the vendor. |
| 3. Annuity Operations  | Determine whether the vendor is processing TSP annuities in compliance with applicable FERSA provisions and TSP regulations.   |



## **E. Overview of TSP Performance Audit Objectives (continued)**

### **Other Non-Agency TSP Activities**

- |                                      |   |
|--------------------------------------|---|
| 4. Board's Staff (Agency) Operations | Determine whether Agency policies and procedures comply with FERSA and provide for effective management control over daily TSP operations. This task includes reviews of the Agency's procurement practices and the Agency's EDP general control environment. |
| 5. Review of CIA OIG TSP Audit       | Determine whether the CIA OIG TSP audit report and supporting workpapers comply with TSP audit objectives set forth in the DOL EBSA Fiduciary Oversight Program and with applicable interagency (e.g., DOL, CIA, and GAO) agreements.                         |



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## **E. Overview of TSP Performance Audit Objectives (continued)**

### **Other Non-Agency TSP Activities**

- |                                   |  |
|-----------------------------------|--|
| 6. Review of Abandonment Policies | Determine whether the policies and procedures relating to abandoned accounts protect the interest of former participants, and whether the Agency is using reasonable methods for locating "lost" participants. |
|-----------------------------------|--|



## **E. Overview of TSP Performance Audit Objectives (continued)**

### **Agency TSP Activities**

1. Agency/Uniformed Services Audits

Full Scope: Completion of all applicable TSP Fiduciary Oversight Program modules.

Follow-up Review: Determine the status of prior EBSA recommendations.