U.S. Department of Labor
Employee Benefits Security Administration

Fiscal Year 2010 Thrift Savings Plan
Fiduciary Oversight Program

Presentation
to the
Federal Retirement Thrift Investment Board
February 16, 2010

Employee Benefits Security Administration
TSP Fiduciary Oversight Program
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I. Overall Assessment for Fiscal Year 2009

- No instances came to our attention of material non-compliance with FERSA.
- The Agency should continue further strengthening TSP's security and information technology program, including implementing more timely all prior EBSA recommendations.
- The Agency's TSP participant support process complies with FERSA, applicable Board regulations and bulletins, and certain provisions of call center contracts.
- The Agency has implemented certain procedures that accurately and timely provide TSP participants with account information, processing of their inquiries, and processing of confirmation and reject notices.

II. Summary of Significant Issues

- **Participant Support**
  - Strengthen logical and physical access controls at the call centers.
  - Evaluate and implement compensating controls over the minimum password length setting weakness of the Versadial system at the call centers, or document the acceptance of this risk in the appropriate security documentation.
  - Identify, select, and implement a method to encrypt the Versadial hard drive discs when stored off-site.
  - Monitor the Maryland call center's plan to proceed with setting up an alternative storage site for Versadial backup media.
  - Ensure that unique user IDs and passwords for individuals performing administrative duties over Versadial are established at the Virginia call center.
  - Enforce call center requirements for maintaining adequate evidence of privacy training.

II. Summary of Significant Issues (continued)

- **System Security**
  - 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, implement and monitor the logical and physical access administration over TSP accounts in the TSP systems.*
  - Evaluate and apply the level of technical controls over the TSP systems (applications and networks) recommended by the TSP System Security Plan.*
  - Conduct a comprehensive risk assessment and Privacy Impact Assessment over the TSP systems and related system components.*
  - Complete, implement, and monitor policies related to protecting sensitive and PII information and the PII incident response and notification plan.*
  - Conduct a formal E-Authentication risk assessment to evaluate the authentication level for the TSP Web.*

* Communicated at prior Board Meeting(s).

III. Future EBSA Initiatives

As funding permits:

- Complete an initial audit of BlackRock Inc's, as successor to BGI, N.A., Thrift Savings Fund investment manager operations.
- Complete initial audits of all uniformed services' TSP operations, begun in FY 2004.
- Complete initiatives as directed by the Secretary of the Department of Labor.

IV. Scope of TSP Performance Audits

	Plan 2010	2009	2008	2007	2006
IT-Related Audits					
1. System Enhancements and Software Change Controls	–	–	FS	–	–
2. IT Operations Management/Mainframe	SP(4)	–	–	–	–
3. Computer Access Controls and Security	–	LTD	FS	FS	–
4. Security Penetration and Vulnerability Assessment	–	–	SP(2)	SP(2)	–
5. Service Continuity Controls	–	–	LTD	–	SP
Process Audits					
6. Account Maintenance	FS	SP(3)	–	–	–
7. Participant Support/Call Center Operations	–	FS	–	–	SP(1)
8. Withdrawals	–	–	–	–	–
9. Loan Operations	–	FS	–	–	–

(1) Virginia call center only (2) Reported as part of the Computer Access Report (3) L Funds process only

(4) Assessment of the Agency's TSP System Modernization Project

FS = Full Scope LTD = Limited Scope SP = Special Project

IV. Scope of TSP Performance Audits (continued)

Other Non-Agency TSP Activities	Plan 2010	2009	2008	2007	2006
1. Treasury "G" Fund Investment Operations	–	–	–	–	FS
2. Investment Manager Operations ("F", "C", "S" and "I" Funds)	–	–	–	–	FS
3. Annuity Operations	–	–	–	FS	–
4. Board's Staff Operations	–	–	–	LTD	–

FS = Full Scope LTD = Limited Scope SP = Special Project

IV. Scope of TSP Performance Audits (continued)

Uniformed Services	Plan 2010	2009	2008	2007	2006	2005 and Prior
1. U.S. Marine Corps	–	–	–	–	–	FS
2. U.S. Army	–	–	–	–	FS	–
Federal Agencies						
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	FS	–	–	–	–	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

IV. Scope of TSP Performance Audits (continued)

Federal Agencies (continued)	Plan 2010	2009	2008	2007	2006	2005 and Prior
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. Government Accountability Office	–	–	FS	–	–	–
32. House of Representatives	–	–	–	–	–	R
33. Kelly Air Force Base - San Antonio	–	–	–	–	–	R/FS
34. NASA	–	–	–	–	–	FS
35. National Security Agency	–	–	–	–	–	LTD
36. Naval Publications and Forms Center	–	–	–	–	–	R/LTD
37. Naval Research Laboratory	–	–	–	–	–	R/FS
38. Naval - Supply Center, Norfolk	–	–	–	–	–	R/LTD
39. Navy - Atlantic Fleet	–	–	–	–	–	LTD
40. Navy - Norfolk Naval Shipyard	–	–	–	–	–	R/LTD
41. Navy Regional Finance Center	–	–	–	–	–	R/FS
42. Nuclear Regulatory Commission	–	–	–	–	–	FS
43. Postal Service	–	–	–	–	–	R/FS
44. Treasury (Includes IRS)	–	–	–	–	–	FS

FS = Full Scope LTD = Limited Scope R = Follow-up Review

V. Tentative Schedule of Fiscal Year 2010 TSP Audits

Performance Audits	Work Begins	FRTIB Exit
Account Maintenance	1/19/10	4/15/10
TSP System Modernization Project	TBD*	TBD
USDA NFC TSP Operations	3/29/10	N/A

* Preliminary planning meetings were held with the Agency in December and January.

VI. Summary of Open Recommendations

IT-Related Audits	Fundamental Controls	Other Controls	Total	# Open Originating Prior to 2009	
1. System Enhancements and Software Change Controls (4)	3	--	3	3	
2. IT Operations Management/Mainframe (5)	1	--	1	1	
3. Computer Access Controls and Security (5)	6	--	6	6	
4. Security Penetration and Vulnerability (6)	--	--	--	--	
5. Service Continuity Controls (4)		2	--	2	2

VI. Summary of Open Recommendations (continued)

Process Audits	Fundamental Controls	Other Controls	Total	# Open Originating Prior to 2009
6. Account Maintenance (1)	--	1	1	1
7. Participant Support/ Call Centers (5)	7	2	9	--
8. Withdrawals (2)	--	4	4	4
9. Loan Operations (2)	--	1	1	1

VI. Summary of Open Recommendations (continued)

Other Non-Agency TSP Activities	Fundamental Controls	Other Controls	Total	# Open Originating Prior to 2009
1. Treasury "G" Fund Investment Operations	--	--	--	--
2. Investment Manager Operations ("F", "C", "S" and "I" Funds)	--	--	--	--
3. Annuity Operations (3)	1	2	3	3
4. Board's Staff Operations (3)	1	--	1	1
Total Non-agency Recommendations	21	10	31	22

(1) The most recent report was FY 2004.
(2) The most recent report was FY 2005.
(3) The most recent report was FY 2007.
(4) The most recent report was FY 2008.
(5) The most recent report was FY 2009.
(6) Findings reported within the Computer Access report.

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 TSP 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:

- Performance audits, including assessments of program effectiveness, economy, and efficiency; internal control; compliance; and prospective analyses; and
- Financial-related audits, including reviews of certain financial information

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

3. EBSA's TSP 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 TSP 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 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, regulations, and contracts
- Conclude on the TSP fiduciaries' overall FERSA-related compliance
- Address EBSA, Federal Retirement Thrift Investment Board, and Agency concerns, as practicable
- Update EBSA's TSP Fiduciary Oversight Program Manual

D. Audit and Report Process for Each TSP Performance 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
- Preliminary final report, forwarded to the Executive Director for formal written response to DOL EBSA
- Final report including the Executive Director's 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's and contractors' presentation of 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

IT-Related Audits

1. System Enhancements and Software Change Controls
   Determine whether: (1) policies and procedures are in place to control development, alteration and configuration of TSP software applications, (2) a software development lifecycle is followed for the development of TSP software applications, and (3) controls are in place over the authorization, testing, approval, and implementation of changes to existing application software and such changes are supported by appropriate documentation.

2. IT 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)

IT-Related Audits (continued)

4. Security Penetration and Vulnerability 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. Service Continuity Controls
   Determine whether (1) a business continuity and disaster recovery program for all critical TSP systems exists, is operational, and is periodically tested; (2) critical system and production data are backed up on a regular basis, and backup tapes are stored off-site and periodically tested; (3) arrangements have been made for alternate data processing and telecommunication facilities; and (4) data processing, storage and transfer limits, and bottlenecks in the TSP environment are managed to enhance processing efficiency and availability.

E. Overview of TSP Performance Audit Objectives (continued)

Process Audits

6. Account Maintenance*

   Determine whether (1) participant account balances accurately record summary and detail contributions and earnings, (2) processing occurs timely, (3) control procedures have been established and are in place for processing error corrections and breakage/lost earnings according to legal requirements, (4) participant forfeitures and forfeiture restorations are proper and accurate, and (5) participant account balances accurately reflect "G", "F", "C", "S", "I" and "L" Fund balances as elected by participants.

7. Participant Support/Call Centers*

   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.

E. Overview of TSP Performance Audit Objectives (continued)

Process Audits (continued)

8. Withdrawals*
   Determine whether (1) 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; (2) policies and procedures relating to abandoned accounts protect the interest of former participants; and (3) the Agency is using reasonable methods for locating "lost" participants.

9. Loan Operations*
   Determine whether procedures and controls are in place to ensure proper, accurate, and timely input, processing, and output of loan 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 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 Operations ("F","C", "S" 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 exemptions, (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 (continued)

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 IT 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.

E. Overview of TSP Performance Audit Objectives (continued)

Agency TSP Activities

1. Federal Agency/Uniformed Services Audits

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

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