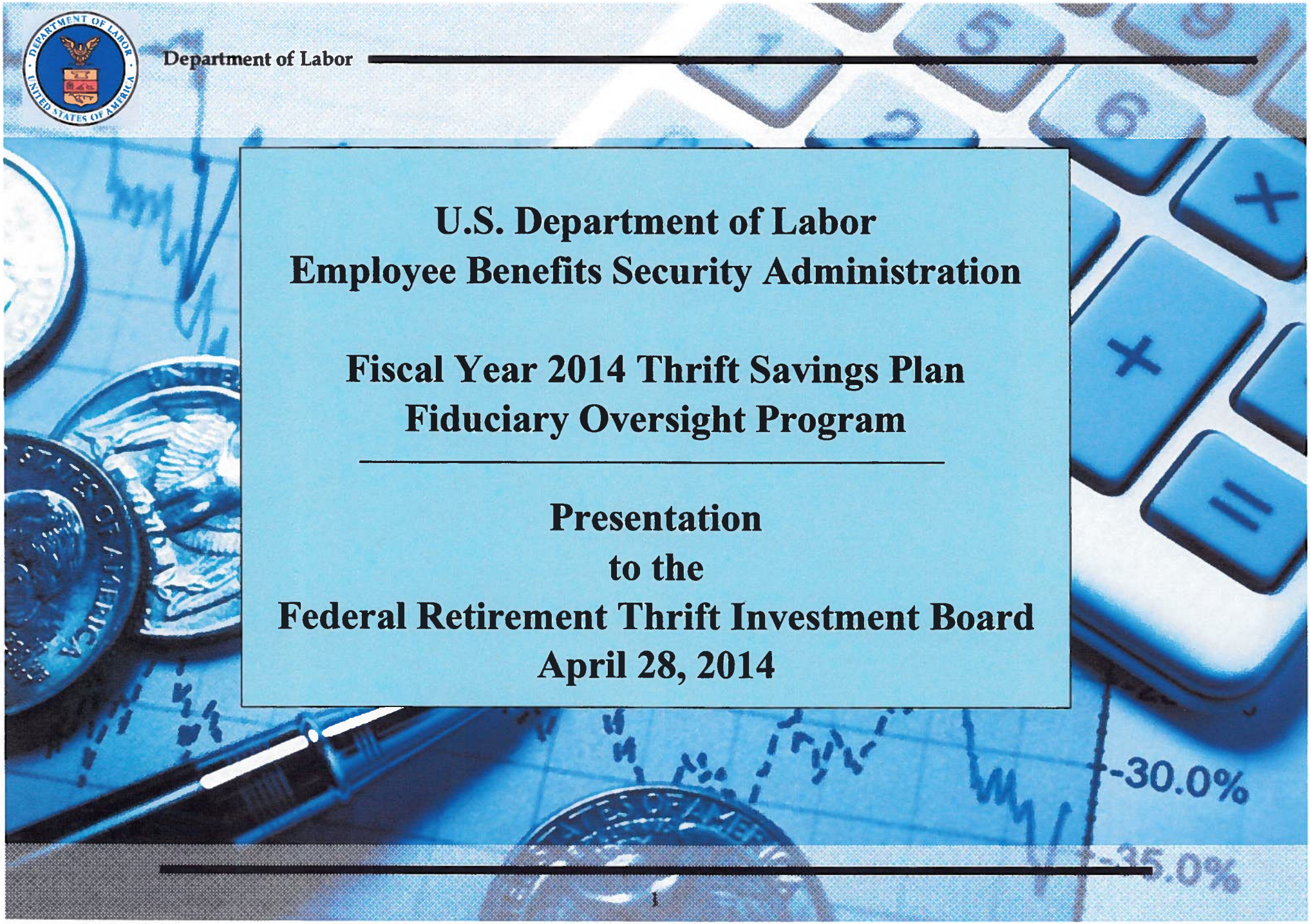

U.S. Department of Labor
Employee Benefits Security Administration

Fiscal Year 2014 Thrift Savings Plan
Fiduciary Oversight Program

Presentation
to the
Federal Retirement Thrift Investment Board
April 28, 2014

Employee Benefits Security Administration
TSP Fiduciary Oversight Program
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Employee Benefits Security Administration
TSP Fiduciary Oversight Program
Presentation to the Federal Retirement Thrift Investment Board

I. Scope of TSP Performance Audits

	Plan 2014	2013	2012	2011	2010
IT-Related Audits					
1. System Enhancements and Software Change Controls	–	FS	–	–	–
2. IT Operations Management/Mainframe	–	FS	–	–	SP(2)
3. Computer Access Controls and Security	–	LS	–	LS	–
4. Technical Security Vulnerability Assessment	–	SP	–	SP(1)	–
5. Service Continuity Controls	–	FS	–	–	–
6. Participant Website Controls	–	SP	–	–	SP(3)
Process Audits					
7. Account Maintenance	–	FS	–	–	FS
8. Participant Support/Call Center Operations	–	–	FS	–	–
9. Withdrawals	–	–	–	FS	–
10. Loan Operations	–	–	–	–	–
11. L Fund Operations	–	FS	–	–	–

(1) Reported as part of the Computer Access Controls report
(2) Assessment of the Agency's project management practices
(3) Assessment of the TSP website participant access incident

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

I. Scope of TSP Performance Audits (continued)

Other TSP Activities	Plan 2014	2013	2012	2011	2010
1. Treasury "G" Fund Investment Operations	–	–	–	–	FS
2. Investment Manager Operations ("F", "C", "S" and "I" Funds)	–	FS	–	FS	–
3. Annuity Operations	–	–	–	FS	–
4. Board Staff Operations	SP(4)(5)	–	FS	–	–

(4) Benchmarking analyses of processes and internal controls over contributions, withdrawals, loans, and investment management

(5) Follow-up on certain prior year recommendations identified as closed by the Agency

FS = Full Scope SP = Special Project

I. Scope of TSP Performance Audits (continued)

Uniformed Services	Plan 2014	2013*	2012	2011	2010	2009 and Prior
1. U.S. Marine Corps	–	–	–	–	–	FS
2. U.S. Army	–	–	–	–	–	FS
Federal Agencies						
3. Administrative Office of the U.S. Courts	–	–	–	–	–	R/LS
4. Army - Aberdeen Proving Ground	–	–	–	–	–	LS
5. Army - Defense Personnel Center	–	–	–	–	–	FS
6. Army - Fort Meade	–	–	–	–	–	LS
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 and Human Services	–	–	–	–	–	LS
16. Department of Housing and Urban Development	–	–	–	–	–	R/FS
17. Department of Interior - Denver	–	–	–	–	–	R/FS
18. Department of Justice	–	–	–	–	–	R/ LS
19. Department of Labor	–	–	–	–	–	R
20. Department of State	–	–	–	–	–	R/FS
21. Department of Transportation - Oklahoma	–	–	–	–	–	R/FS

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

I. Scope of TSP Performance Audits (continued)

Federal Agencies (continued)	Plan 2014	2013*	2012	2011	2010	2009 and Prior
22. Department of the Treasury (includes IRS)	–	–	–	–	–	FS
23. Department of Veterans Affairs	–	–	–	–	–	R/FS
24. DFAS (as Uniformed Services Payroll Service Provider)	–	FS	–	–	–	–
25. DFAS - Charleston and Army - Ft. Monmouth	–	–	–	–	–	FS
26. DFAS - Columbus and Defense Logistics Agency	–	–	–	–	–	FS
27. DFAS - Denver and North Island Naval Air Station	–	–	–	–	–	R/FS
28. DFAS - Pensacola and Naval Sea System Command	–	–	–	–	–	FS
29. Environmental Protection Agency	–	–	–	–	–	FS
30. Federal Bureau of Investigation	–	–	–	–	–	FS
31. Federal Deposit Insurance Corporation	–	–	–	–	–	FS
32. General Services Administration	–	–	–	–	–	R/FS
33. Government Accountability Office	–	–	–	–	–	FS
34. House of Representatives	–	–	–	–	–	R
35. Kelly Air Force Base - San Antonio	–	–	–	–	–	R/FS
36. National Aeronautics and Space Administration	–	–	–	–	–	FS
37. National Security Agency	–	–	–	–	–	LS
38. Naval Publications and Forms Center	–	–	–	–	–	R/ LS
39. Naval Research Laboratory	–	–	–	–	–	R/FS
40. Naval - Supply Center, Norfolk	–	–	–	–	–	R/ LS
41. Navy - Atlantic Fleet	–	–	–	–	–	LS
42. Navy - Norfolk Naval Shipyard	–	–	–	–	–	R/ LS
43. Navy Regional Finance Center	–	–	–	–	–	R/FS
44. Nuclear Regulatory Commission	–	–	–	–	–	FS
45. Postal Service	–	–	–	–	–	R/FS

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

* During the 2013 performance audit of the TSP Roth option communications, we selected and conducted procedures at the U.S. Army, U.S. Coast Guard, National Aeronautics and Space Administration, and the Departments of Agriculture, Health and Human Services, Justice, Transportation, Treasury, and Veterans Affairs.

II. Tentative Schedule of Fiscal Year 2014 TSP Audits/Projects

Performance Audits	Work Begins	FRTIB Exit
Follow-up on Certain Prior Year Recommendations – Part I	Mar-14	May-14
Follow-up on Certain Prior Year Recommendations – Part II*	Jun-14	Aug-14
Special Project		
Benchmarking of Contributions, Loans, Withdrawals, and Investment Operations	Feb-14	Jun-14

* - Tentative

III. Highlights of Overall Assessment: March 2013 – April 2014

Summary of All 2013 Audits

- Number of audits under 2013 task orders:11 (8 related to the Agency)
- Instances of material non-compliance with FERSA: 0
- Number of closed Agency recommendations: 2
- Number of new Agency recommendations: 26

Audit	Fundamental	Other
System Enhancements	3	1
IT Operations Management	3	1
Service Continuity	7	1
Computer Access	1	1
Technical Security	4	0
Participant Website	2	1
Account Maintenance	0	1
Total	20	6

III. Highlights of Overall Assessment: March 2013 – April 2014

Selected 2013 Audits

Service Continuity Controls

- The Agency implemented certain elements of the following:
  1. A business continuity and disaster recovery program for the TSP systems;
  2. The backup of critical system and production data using data replication and, secondarily, tape backup technologies, including the off-site storage and periodic testing of backup tapes;
  3. Arrangements for alternate data processing and telecommunication facilities; and
  4. Management of data processing, storage, and transfer limits in the TSP environment to enhance processing efficiency and availability.
- Although the Agency has implemented a data replication program, we presented eight new recommendations.

III. Highlights of Overall Assessment: March 2013 – April 2014 (continued)

Selected 2013 Audits (continued)

Technical Security Controls

- The Agency implemented certain procedures related to:
  1. Reducing the risk of unauthorized access from outside and inside the TSP IT system,
  2. Assuring that network operating systems remain patched, and
  3. Identifying connections to the TSP from other networks and assessing the related risks of unauthorized access to TSP systems.
- We presented four new recommendations.

Participant Website

- The Agency implemented certain procedures related to:
  1. Altering and resetting TSP participant passwords,
  2. Monitoring threats on participant data from external sources, and
  3. Securing participant communications and transactions.
- We presented three new recommendations.

III. Highlights of Overall Assessment: March 2013 – April 2014 (continued)

Selected 2013 Audits (continued)

TSP Investment Management Operations (F,C, S, and I Funds)

- BTC implemented certain procedures related to:
  1. Promptly and accurately deposit TSP investments in authorized investment funds;
  2. Properly summarize and report TSP investment transactions to the Agency;
  3. Accurately report on the daily yield on each investment fund;
  4. Invest index investment funds in a portfolio that matched Board-selected indices; and
  5. Vote proxies of the C, S, and I Fund investments in accordance with its stated guidelines.
- No instances of noncompliance with applicable Prohibited Transaction Exemptions were identified in BTC's TSP investment management operations.
- We presented no new recommendations.

III. Highlights of Overall Assessment: March 2013 – April 2014 (continued)

Selected 2013 Audits (continued)

TSP Roth Option Communications

- Nine Federal agencies and uniformed services were selected for testing.
- The selected entities implemented certain procedures to communicate the availability of the TSP Roth option and how it can be incorporated into retirement planning to their respective employees and service members.
- We presented no new recommendations.

IV. Summary of Areas Addressed by Recent Fundamental Control Recommendations

Service Continuity Controls

- General documentation and plan weaknesses specific to service continuity, contingency planning, and disaster recovery;
- Separation of duties controls; and
- Data center physical access controls.

System Enhancements and Software Change Controls

- Configuration management controls;
- Patch management controls; and
- Data access controls in non-production environments.

IV. Summary of Areas Addressed by Recent Fundamental Control Recommendations (continued)

IT Operations Management

- Approval procedures for creating, modifying, and removing automated jobs and related job scheduling activities, including documentation and resolution; and
- Database administration controls.

Participant Website

- Website incident and monitoring activities; and
- Participant electronic communication controls.

Computer Access and Security Controls

- Media protection, destruction, and sanitization controls.

IV. Summary of Areas Addressed by Recent Fundamental Control Recommendations (continued)

Technical Security Controls

- Vulnerability scanning controls;
- Patch management controls regarding timely vulnerability remediation; and
- Network administrator access controls.

V. Summary of Open Recommendations

IT-Related Audits	Fundamental Controls	Other Controls	Total	# Open Originating Prior to 2013
1. Service Continuity Controls (5)	7	1	8	--
2. System Enhancements and Software Change Controls (5)	4	1	5	1
3. IT Operations Management/Mainframe (5)	6	1	7	3
4. Computer Access and Security Controls (5)	11	1	12	10
5. Technical Security Vulnerability Assessment (5)(6)	4	--	4	--
6. Participant Website Controls (5)	2	1	3	--

V. Summary of Open Recommendations (continued)

Process Audits	Fundamental Controls	Other Controls	Total	# Open Originating Prior to 2013
7. Account Maintenance (5)	--	1	1	--
8. Participant Support/ Call Center Operations (4)	15	1	16	16
9. Withdrawals (3)	4	3	7	7
10. Loan Operations (1)	1	1	2	2
11. L Fund Operations	--	--	--	--

V. Summary of Open Recommendations (continued)

Other TSP Audits	Fundamental Controls	Other Controls	Total	# Open Originating Prior to 2013
1. Treasury "G" Fund Investment Operations	--	--	--	--
2. Investment Manager Operations ("F", "C", "S" and "I" Funds)	--	--	--	--
3. Annuity Operations (2)	1	--	1	1
4. Board Staff Operations (4)	3	1	4	4
Total Recommendations	58	12	70	44

(1) The most recent report was 2009.

(2) The most recent report was 2010.

(3) The most recent report was 2011.

(4) The most recent report was 2012.

(5) The most recent report was 2013.

(6) Findings from 2011 reported within Computer Access report.

VI. Future EBSA Initiatives

As funding permits:

- Complete all audit areas of the TSP Fiduciary Oversight Program at least once every three years.
- Assess IT security given the 2014 transition from SERCO to SAIC.
- Conduct follow-up assessments based on results of the 2014 benchmarking special project.

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 of 1986 (FERSA) (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 U.S. 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 other 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 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
- Policies and procedures documents
- Relevant contracts
- 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
- 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 for Program Operations for appropriate further action, if necessary
- DOL's and contractors' presentation of significant findings and recommendations and current year's TSP audit plan annually at a scheduled Board meeting