



Department of Labor

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

**Fiscal Year 2017 Thrift Savings Plan
Fiduciary Oversight Program**

**Presentation
to the
Federal Retirement Thrift Investment Board
April 24, 2017**

A background image showing a close-up of US coins and a calculator, with the text "Employee Benefits Security Administration TSP Fiduciary Oversight Program Key Contacts" overlaid in a bold, black font.

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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. Scope of TSP Performance Audits

	<u>Plan</u> <u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>IT-Related Audits</u>					
1. System Enhancements and Software Change Controls	—	—	FS	—	FS
2. IT Operations Management	—	—	FS	—	FS
3. Computer Access and Security Controls	FS	FS	FS	—	LS
4. Technical Security Vulnerability Assessment	—	—	—	—	SP
5. Service Continuity Controls	—	FS	—	—	FS
6. Participant Website Controls	—	—	FS	—	SP
7. Mainframe Configuration	—	FS	—	SP	—
8. Special Projects – IT	SP(2)(3)(4)	SP(1)(2)(4)	—	—	—

- (1) Mobile Device Security and Governance Review
- (2) Status Determination of Certain Prior Year Recommendations
- (3) Insider Threat Controls Review
- (4) National Defense Authorization Act for Fiscal Year 2016 pre-implementation reviews

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



I. Scope of TSP Performance Audits (continued)

	<u>Plan 2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Process Audits</u>					
9. Participant Support/Call Center Operations	—	FS	FS	—	—
10. Loan Operations	—	FS	FS	—	—
11. Account Maintenance	FS	—	FS	—	FS
12. Withdrawals	FS/SP(5)	—	FS	—	—
13. Lifecycle Funds Operations	—	FS	FS	—	FS

(5) Implementation of the Defending Public Safety Employees' Retirement Act

FS = Full Scope

SP = Special Project



I. Scope of TSP Performance Audits (continued)

<u>Other TSP Activities</u>	<u>Plan 2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
1. “G” Fund Investment Operations	–	–	FS	–	–
2. Investment Management Operations (“F”, “C”, “S” and “I” Funds)	FS	FS	FS	–	FS
3. Annuity Operations	–	FS	FS	–	–
4. The Board’s Staff	–	–	FS	SP(6)(7)	–

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

(7) 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)

<u>Uniformed Services</u>	<u>Plan 2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013*</u>	<u>2012 and Prior</u>
1. U.S. Marine Corps	—	—	—	—	—	FS
2. U.S. Army	—	—	—	—	—	FS
<u>Federal Agencies</u>						
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 Interior – Interior Business Center	—	—	—	FS	—	—
19. Department of Justice	—	—	—	—	—	R/LS
20. Department of Labor	—	—	—	—	—	R
21. Department of State	—	—	—	—	—	R/FS
22. Department of Transportation - Oklahoma	—	—	—	—	—	R/FS

FS = Full Scope

LS = Limited Scope

R = Follow-up Review



I. Scope of TSP Performance Audits (continued)

<u>Federal Agencies (continued)</u>	<u>Plan</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013*</u>	<u>2012</u> <u>and Prior</u>
23. Department of the Treasury (includes IRS)	—	—	—	—	—	FS
24. Department of Veterans Affairs	—	—	—	—	—	R/FS
25. DFAS (as Uniformed Services Payroll Service Provider)	—	—	—	—	FS	—
26. DFAS - Charleston and Army - Ft. Monmouth	—	—	—	—	—	FS
27. DFAS - Columbus and Defense Logistics Agency	—	—	—	—	—	FS
28. DFAS - Denver and North Island Naval Air Station	—	—	—	—	—	R/FS
29. DFAS - Pensacola and Naval Sea System Command	—	—	—	—	—	FS
30. Environmental Protection Agency	—	—	—	—	—	FS
31. Federal Bureau of Investigation	—	—	—	—	—	FS
32. Federal Deposit Insurance Corporation	—	—	—	—	—	FS
33. General Services Administration	—	—	—	—	—	R/FS
34. Government Accountability Office	—	—	—	—	—	FS
35. House of Representatives	—	—	—	—	—	R
36. Kelly Air Force Base - San Antonio	—	—	—	—	—	R/FS
37. National Aeronautics and Space Administration	—	—	—	—	—	FS
38. National Security Agency	—	—	—	—	—	LS
39. Naval Publications and Forms Center	—	—	—	—	—	R/ LS
40. Naval Research Laboratory	—	—	—	—	—	R/FS
41. Naval - Supply Center, Norfolk	—	—	—	—	—	R/ LS
42. Navy - Atlantic Fleet	—	—	—	—	—	LS
43. Navy - Norfolk Naval Shipyard	—	—	—	—	—	R/ LS
44. Navy Regional Finance Center	—	—	—	—	—	R/FS
45. Nuclear Regulatory Commission	—	—	—	—	—	FS
46. 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 Current TSP Performance Audits

2016 Performance Audits in Reporting Phase – All to Be Issued by Mid-May 2017

IT–Related

Mainframe Configuration

Mobile Device Security and Governance Review

Computer Access and Security Controls

Process

Lifecycle Funds Operations

Loan Operations

Participant Support/Call Center Operations

Other TSP Activities

National Defense Authorization Act Pre-Implementation Review (Phase 1)

Status Determination of Certain Prior Year Recommendations



II. Tentative Schedule of Current TSP Performance Audits (continued)

2017 Performance Audits in Progress

	<u>Work Began</u>	<u>FRTIB Exit</u>
<u>Process Audits</u>		
Withdrawals	Jan-17	May-17
Implementation of Defending Public Safety	Jan-17	May-17
Account Maintenance	Feb-17	June-17
<u>Other TSP Activities</u>		
Investment Management Operations (“F”, “C”, “S” and “I” Funds)	Mar-17	June-17



II. Tentative Schedule of Current TSP Performance Audits (continued)

2017 Performance Audits to be Started

	<u>Work Begins</u>	<u>FRTIB Exit</u>
<u>IT-Related</u>		
Computer Access and Security Controls	Oct-17	Jan-18
<u>Other TSP Activities</u>		
Status Determination of Certain Prior Year Recommendations	May-17	June-17
National Defense Authorization Act Pre-Implementation (Phase 2)	May-17	July-17
Insider Threat Controls Review	July-17	Sept-17



III. Highlights of Overall Assessment: August 2016 – April 2017

Summary of All 2015 Audits

Number of audits under 2015 task order	13 (10 related to the Agency)
Instances of material non-compliance with FERSA	0
Number of closed Agency recommendations	20
Number of new Agency recommendations	52
Number of closed non-Agency recommendations	1
Number of new non-Agency recommendations	1



III. Highlights of Overall Assessment: August 2016 – April 2017 (continued)

Summary of 2015 Audits Completed since August 2016

Agency Audit	Scope Period	Prior Year Recs Remaining Open	Prior Year Recs Closed	New Fundamental Recs	New Other Recs
Withdrawals	1/1/14 – 6/30/15	1	4	1	1
Board's Staff	1/1/15 - 12/31/15	0	1	1	1
Account Maintenance	1/1/15 - 1/31/16	0	1	0	1
Agency Total		1	6	2	3



III. Highlights of Overall Assessment: August 2016 – April 2017

Summary of 2016 Audits Completed as of April 7, 2017

Number of audits under 2016 task order to date	4 (1 related to the Agency)
Instances of material non-compliance with FERSA	0
Number of closed Agency recommendations	1
Number of new Agency recommendations	7
Number of closed non-Agency recommendations	4
Number of new non-Agency recommendations	3



III. Highlights of Overall Assessment: August 2016 – April 2017 (continued)

Summary of 2016 Audits Completed as of April 7, 2017, continued

Non-Agency Audit	Scope Period	Prior Year Recs Remaining Open	Prior Year Recs Closed	New Fundamental Recs	New Other Recs
Annuity Operations	1/1/15 - 12/31/15	0	1	2	1
Investment Management Operations – F, C, S, and I Funds	4/1/15 - 3/31/16	0	0	0	0
National Finance Center TSP Operations	1/1/15 - 2/29/16	1	3	0	0
Non-Agency Total		1	4	2	1

Agency Audit	Scope Period	Prior Year Recs Remaining Open	Prior Year Recs Closed	New Fundamental Recs	New Other Recs
Service Continuity	1/1/15 – 3/31/16	7	1	6	1
Agency Total		7	1	6	1



IV. Summary of Areas Addressed by Recent Fundamental Control Recommendations

Withdrawals

- Court order entitlement review controls

Board's Staff

- Procedures over conflicts of interest in the procurement process and retaining certificates for procurement officials

Annuity Process

- Reporting of taxable and tax exempt amounts for annuity purchases
- Calculation of new annuitant payments



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

Service Continuity

- Controls over contingency planning, testing, and training
- Capacity and availability monitoring
- Access administration for data replication tools
- TESS contract oversight and management
- Controls over contractor access at data centers



V. Summary of Open Recommendations

<u>IT-Related Audits</u>	<u>Fundamental Controls</u>	<u>Other Controls</u>	<u>Total</u>	<u># Open Originating Prior to 2016</u>
1. Service Continuity Controls (4)	12	2	14	7
2. System Enhancements and Software Change Controls (3)**	10	1	11	11
3. IT Operations Management (3)	10	1	11	11
4. Computer Access and Security Controls (3)	15	1	16	16
5. Technical Security Vulnerability Assessment (1)	6	--	6	6
6. Participant Website Controls (3)	6	1	7	7
7. Mainframe Configuration (2)	7	1	8	8

** Includes one fundamental controls recommendation from the *2010 Project Management Practices over Certain Thrift Savings Plan Projects and Follow Up on Prior Year Findings* performance audit.



V. Summary of Open Recommendations (continued)

<u>Process Audits</u>	<u>Fundamental Controls</u>	<u>Other Controls</u>	<u>Total</u>	<u># Open Originating Prior to 2016</u>
8. Account Maintenance (3)	--	1	1	1
9. Participant Support/ Call Center Operations (3)	18	4	22	22
10. Withdrawals (3)	1	2	3	3
11. Loan Operations	--	--	--	--
12. Lifecycle Funds Operations (3)	1	--	1	1



V. Summary of Open Recommendations (continued)

<u>Other TSP Audits</u>	<u>Fundamental Controls</u>	<u>Other Controls</u>	<u>Total</u>	<u># Open Originating Prior to 2016</u>
1. Treasury “G” Fund Investment Operations	--	--	--	--
2. Investment Manager Operations (“F”, “C”, “S” and “I” Funds)	--	--	--	--
3. Annuity Operations (4)	2	1	3	0
4. Board’s Staff Operations (3)	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>
Total Recommendations	<u>89</u>	<u>16</u>	<u>105</u>	<u>95</u>

(1) The most recent report was 2013.

(2) The most recent report was 2014.

(3) The most recent report was 2015.

(4) The most recent report was 2016.

A blue-tinted background image showing a close-up of a calculator with a percentage key and a coin, possibly a quarter, in the foreground.

VI. Future EBSA Initiatives

- Complete all audit areas of the TSP Fiduciary Oversight Program at least once every three years.
- Conduct post-implementation reviews of the National Defense Authorization Act's impact on the TSP.
- Perform other special projects as appropriate.

A horizontal banner image with a blue tint. It shows a close-up of a calculator with a percentage key and a plus key, overlaid on a background of US coins and a line graph.

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 effectively, 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.



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