



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

## Fiscal Year 2020 Thrift Savings Plan Fiduciary Oversight Program

Presentation to the  
Federal Retirement Thrift Investment Board

April 27, 2020



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# Presentation to the Federal Retirement Thrift Investment Board

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# I. Scope of TSP engagements

<u>IT Audits</u>	<u>Plan 2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
1. Systems Enhancements and Software Change Controls	–	FS	–	–	–
2. IT Operations Management	–	FS	–	–	–
3. Computer Access and Security Controls	FS	–	–	FS	FS
4. Service Continuity Controls	–	FS	–	–	FS
5. Participant Website Controls	–	FS	–	–	–
6. Mainframe Configuration and Security Controls	FS	–	FS	–	FS

FS = Full Scope SP = Special Project

# I. Scope of TSP engagements (continued)

<u>IT Audits (continued)</u>	<u>Plan 2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
7. Mobile Device and Security Governance Review	–	–	FS	–	SP
8. Insider Threat Controls	FS	–	–	FS	–
9. Limited General IT Control Review over Remote TSP Contractor Sites	–	–	FS	–	–
10. Special Projects - IT	SP(1)	SP(1)(3)	SP(1)(2)	SP(1)(2)	SP(1)(2)

(1) Status Determination of Certain Prior Year Recommendations

(2) National Defense Authorization Act for Fiscal Year 2016 Related Reviews

(3) Dallas Contact Center

FS = Full Scope SP = Special Project

# I. Scope of TSP engagements (continued)

<u>Process Audits</u>	<u>Plan 2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
11. Participant Support/Call Center Operations	–	–	FS	–	FS
12. Loan Operations	–	–	FS	–	FS
13. Account Maintenance	–	–	FS	FS	–
14. Withdrawals	FS	–	–	FS/SP(4)	–
15. Lifecycle Funds Operations	–	FS	–	–	FS

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

FS = Full Scope SP = Special Project

# I. Scope of TSP engagements (continued)

<u>Other TSP Activities</u>	<u>Plan 2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
16. Treasury "G" Fund Investment Operations	–	–	FS	–	–
17. Investment Manager Operations ("F", "C", "S", and "I" Funds)	FS	–	–	FS	FS
18. Annuity Vendor Operations	FS	–	FS	–	FS
19. The Board's Staff	FS	–	FS	–	–

FS = Full Scope SP = Special Project

# I. Scope of TSP engagements (continued)

<u>Uniformed Services/Agencies</u>	<u>Plan 2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
1. Defense Finance and Accounting Service (as Uniformed Services Payroll Service Provider)	–	FS	–	–	–
2. U.S. Department of Agriculture's National Finance Center	–	–	–	–	FS

FS = Full Scope SP = Special Project



## II. Tentative schedule of current TSP performance audits

	Work Began	FRTIB Exit
<b>IT Audits</b>		
Computer Access and Security Controls	Jan-20	Apr-20
Status Determination of Certain Prior Year Recommendations	Jan-20	Apr-20
Mainframe Configuration and Security Controls*	Mar-20	July-20
Insider Threat Controls	Apr-20	June-20
<b>Process Audits</b>		
Annuity Vendor Operations	Mar-20	May-20
The Board's Staff	Mar-20	June-20
Withdrawals*	Mar-20	July-20
Investment Manager Operations	Apr-20	June-20

\* This current estimate of audit completion is delayed six to eight weeks compared to original plan because of the COVID-19 pandemic.

### III. Highlights of overall assessment: May 2019 – April 2020

#### Summary of Audits Completed since May 2019 (through April 17, 2020)

	Process and Uniformed Services		Total
	IT Audits	Audits	
Number of audits completed	6	2	8
Instances of material non-compliance with FERSA	0	1	1
Number of closed recommendations	15	9	24
Number of new recommendations	32	2	34

# III. Highlights of overall assessment: May 2019 – April 2020 (continued)

## Summary of Audits Completed since May 2019 (through April 17, 2020) (continued)

Agency Audit	Scope Period	Prior Year Recs Remaining Open	Prior Year Recs Closed	New Fundamental Recs	New Other Recs
Participant Website Controls	1/1/2018 - 12/31/2018	3	2	3	0
Service Continuity Controls	1/1/2018 - 3/31/2019	9	5	7	0
Systems Enhancement and Software Change Controls***	1/1/2018 - 12/31/2018	6	4	6	0
Dallas Contact Center*	7/26/2018 - 5/31/2019	N/A	N/A	3	0
IT Operations Management	4/1/2018 - 4/30/2019	7	4	8	1
Corrective Action Plans Process and The Status Determination of Certain Prior Audit Recommendations	**	**	**	4**	0
Lifecycle Funds Process	1/1/2018 - 12/31/2018	<u>0</u>	<u>5</u>	<u>0</u>	<u>1</u>
Agency Total		25	20	31	2

\* The recommendations for this audit are considered with the Participant Support/Call Center performance audit for tracking purposes.

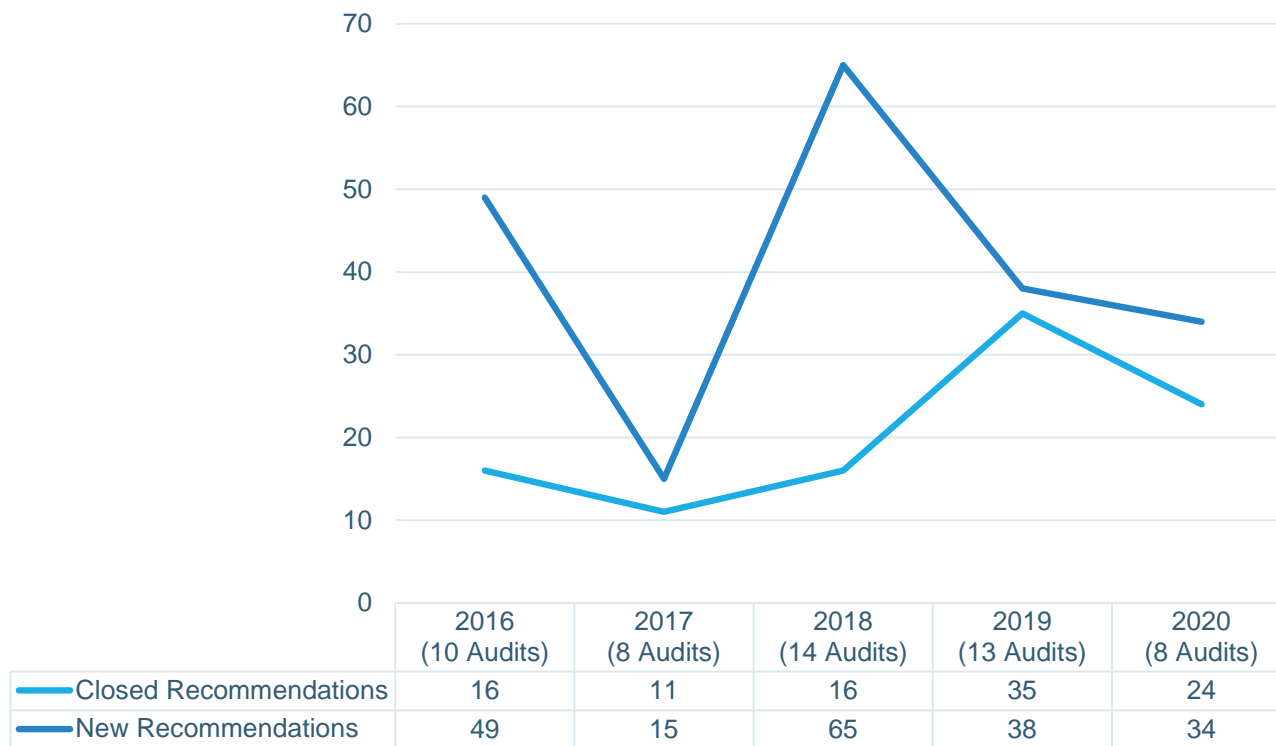
\*\* The scope of this audit included review of the status of certain high, medium, and low risk recommendations (risk rated and communicated as closed by the Agency) as of April 18, 2019. Specifically, we tested 12 penetration study recommendations (5 high risk, 3 medium risk, and 4 low risk) and determined that all 12 were closed. However, we noted similar weaknesses not originally reported in the penetration study for two of these recommendations (one high risk and one low risk); as such, we issued two new recommendations in this report. The other two new recommendations relate to the Agency's process over corrective action plans.

### III. Highlights of overall assessment: May 2019 – April 2020 (continued)

#### Summary of Audits Completed since May 2019 (through April 17, 2020) (continued)

Uniformed Services Audit	Scope Period	Prior Year Recs Remaining Open	Prior Year Recs Closed	New Fundamental Recs	New Other Recs
Thrift Savings Plan Operations at the Defense Finance and Accounting Service	1/1/2018 - 12/31/2018	<u>1</u>	<u>4</u>	<u>1</u>	<u>0</u>
Uniformed services total		1	4	1	0

## IV. New and closed recommendations – current and past four presentations to the Board



Of the recommendations identified above, approximately 68% of new recommendations and 40% of closed recommendations are related to IT.

## V. Summary of open recommendations

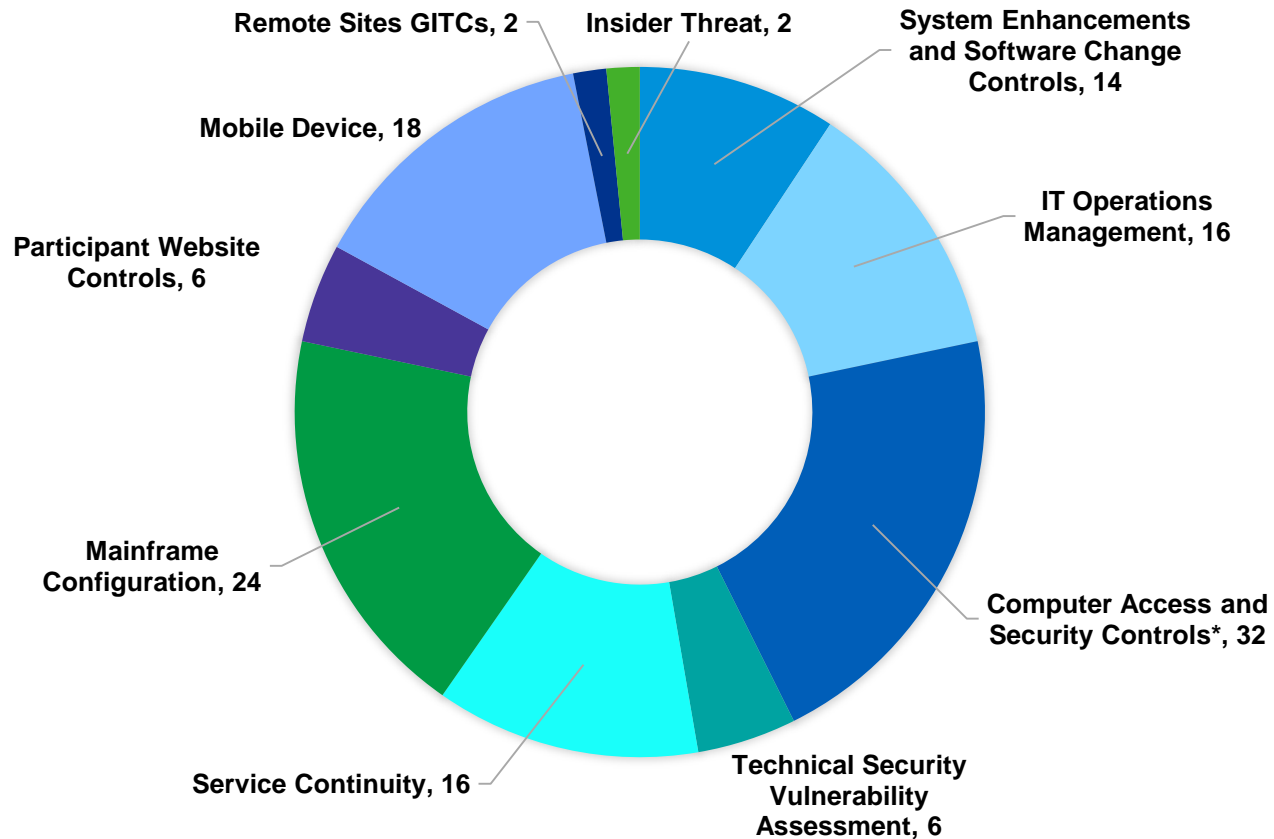
### Aging Analysis of Open Recommendations - IT Audits



Of the recommendations identified above, approximately 95% are related to fundamental control recommendations, which address significant procedures or processes that have been designed and operate to reduce the risk that material intentional or unintentional processing errors could occur without timely detection.

## V. Summary of open recommendations (continued)

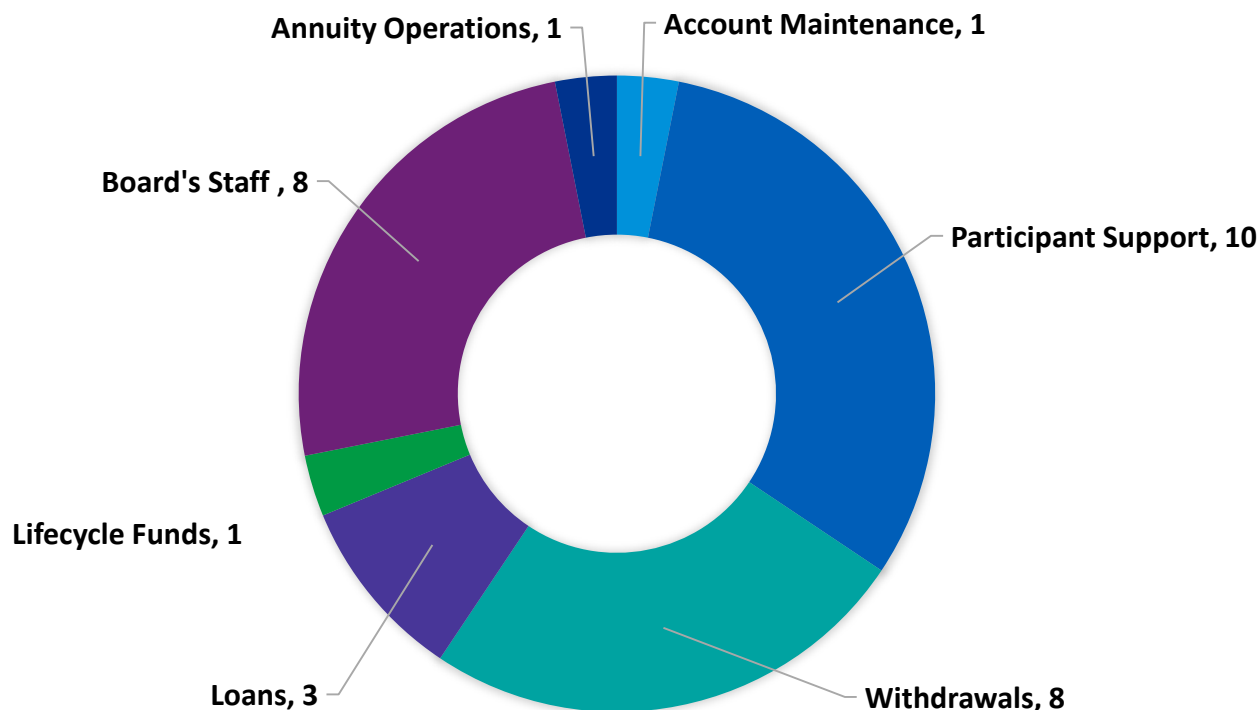
### Open Recommendations - IT Audits



\* See \*\* on slide 17 for explanation.

## V. Summary of open recommendations (continued)

### Open Recommendations - Process and Other Audits





## V. Summary of open recommendations (continued)

<u>IT Audits</u>	<u>Fundamental Controls</u>	<u>Other Controls</u>	<u>Total</u>	<u># Open Originating Prior to 2019</u>
1. System Enhancements and Software Change Controls*	13	1	14	8
2. IT Operations Management	15	1	16	7
3. Computer Access and Security Controls (2)**	30	2	32	28
4. Technical Security Vulnerability Assessment (1)	6	--	6	6
5. Service Continuity Controls	15	1	16	9

\* The total open recommendations for fundamental controls includes two recommendations issued in the *Performance Audit of the Thrift Savings Computer Access and Technical Security Controls* report dated July 30, 2012.

\*\* The total open recommendations for fundamental controls includes one recommendation issued in the *Performance Audit of the Thrift Savings Plan Status Determination of Certain Prior Audit Recommendations* report dated April 26, 2017 and four recommendations issued in the *Performance Audit of the Thrift Savings Plan Corrective Action Plans Process and the Status Determination of Certain Prior Year Recommendations* report dated September 6, 2019.

## V. Summary of open recommendations (continued)

<u>IT Audits</u>	<u>Fundamental Controls</u>	<u>Other Controls</u>	<u>Total</u>	<u># Open Originating Prior to 2019</u>
6. Participant Website Controls	6	--	6	3
7. Mainframe Configuration and Security Controls (3)	23	1	24	24
8. Mobile Device and Governance Controls (3)	18	--	18	18
9. Insider Threat Controls (2)	2	--	2	2
10. Certain General IT Controls at TSP Remote Contractor Sites (3)	2	--	2	2

## 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 2019</u>
11. Participant Support/ Call Center Operations (3)***	10	--	10	7
12. Loan Operations (3)	--	3	3	3
13. Account Maintenance (3)	--	1	1	1
14. Withdrawals (2)	5	3	8	8
15. Lifecycle Funds Operations	--	1	1	--

\*\*\* The total open recommendations for fundamental controls includes three recommendations issued in the *Performance Audit of the Thrift Savings Plan Dallas Contact Center* report dated September 6, 2019.

## 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 2019</u>
16. Treasury "G" Fund Investment Operations	--	--	--	--
17. Investment Manager Operations ("F", "C", "C", And "I" Funds)	--	--	--	--
18. Annuity Vendor Operations (3)	--	1	1	1
19. The Board's Staff (3)	<u>5</u>	<u>3</u>	<u>8</u>	<u>8</u>
Total Recommendations	<b><u>150</u></b>	<b><u>18</u></b>	<b><u>168</u></b>	<b><u>135</u></b>

(1) The most recent report was 2013.

(2) The most recent report was 2017.

(3) The most recent report was 2018.

# VI. Other considerations for the Board

## COVID-19 Pandemic

### **Key areas for Board focus (source: KPMG Board Leadership Center's *Navigating the Pandemic: A Board Lens*, March 18, 2020)**

- Focus on the safety and well-being of the organization's employees
- Focus on financial risks and scenario planning
- Understand key operational risks
- Ensure the Board is staying apprised of the organization's response to the crisis

### **TSP audit impact**

- Continuous and effective communications with Agency personnel and other relevant parties during shift to remote work environment
- Collaborative working environment to address transmission and receipt of audit requests
- Limited impact to audit timing for majority of audits (specific audit delays discussed in Section II)



# 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 members, and Agency management 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), as needed
- Entrance conference
- Completion of walk-through meetings and field work
- Agency's initial review of pre-exit conference draft report (or sections thereof)
- Exit conference
- Agency's 21 day review period of draft report 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 National 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



# Thank You



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