

# Federal Retirement Thrift Investment Board – Thrift Savings Fund

April 27, 2020

Thomas Rey, Principal

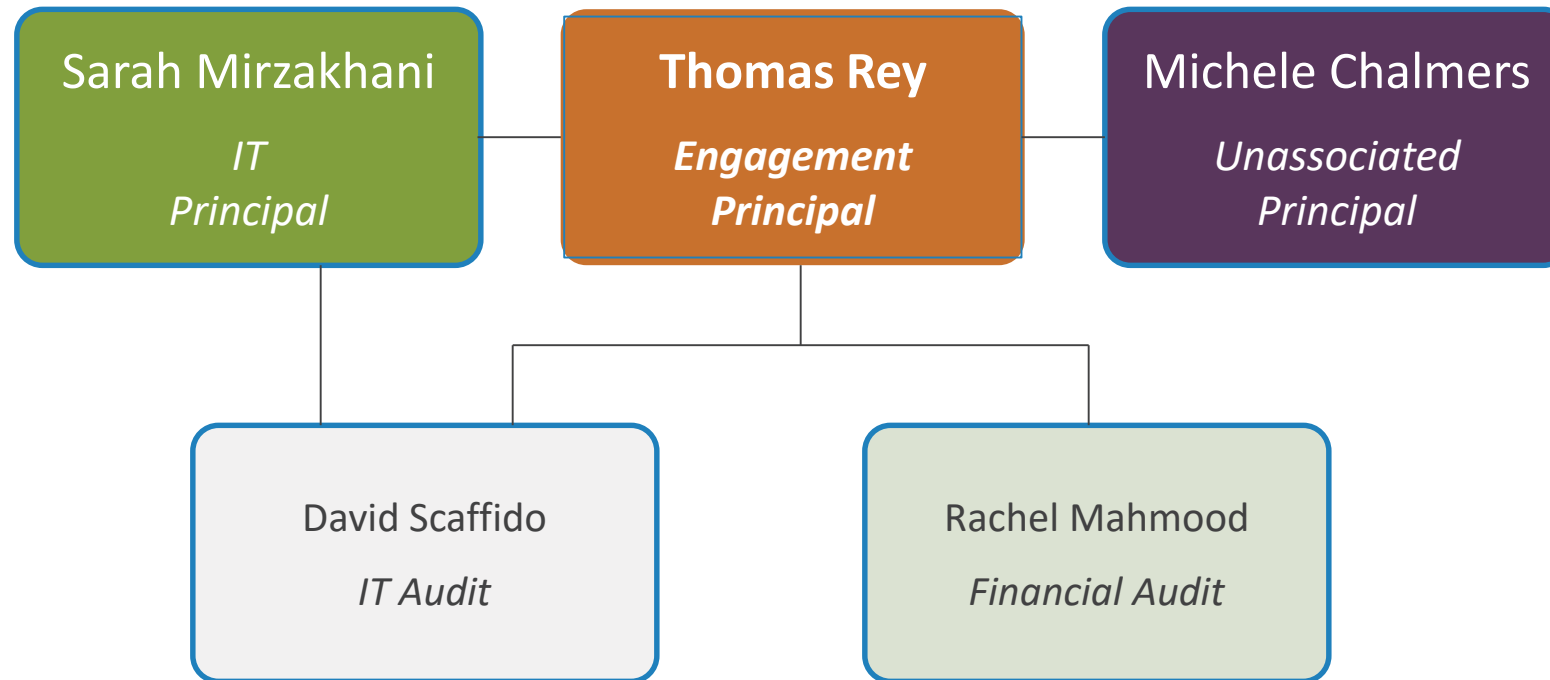
WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

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# Engagement Team



# 2019 Audit Scope

- The audit was conducted in accordance with U.S. Generally Accepted Auditing Standards (GAAS)
  - We are responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Federal Retirement Thrift Investment Board are presented fairly, in all material respects, in conformity with generally accepted accounting principles.
  - The audit of the financial statements does not relieve management or the Federal Retirement Thrift Investment Board of their responsibilities.
  - We are responsible for performing the audit in accordance with generally accepted auditing standards. The audit is designed to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement.
  - An audit includes consideration of internal control over financial reporting as a basis for designing appropriate audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting.
  - We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to the responsibilities of the Federal Retirement Thrift Investment Board in overseeing the financial reporting process. Auditing standards do not require us to design procedures to identify other matters to communicate with the Federal Retirement Thrift Investment Board. When applicable, we are responsible for communicating particular matters required by laws or regulations, by agreement with the entity or by additional requirements applicable to the engagement.



# 2019 Audit Results

- Independent Auditors' Report - Unmodified “clean” opinion that the financial statements are presented fairly, in all material respects in conformity U.S. Generally Accepted Accounting Principles (GAAP)
- Letter on internal control over financial reporting (not an opinion on internal control)
  - No material weaknesses were identified
  - Reported 2 significant deficiencies
  - Reported other matters
- Letter to the Board providing required communications with those charged with governance



# Significant Deficiency vs. Material Weakness

- **Significant Deficiency** — An internal control deficiency or combination of control deficiencies that adversely affects the company's ability to initiate, authorize, record, process, or report external financial data reliably in accordance with GAAP such that there is a more-than-remote likelihood that a misstatement of the company's annual or interim financial statements that is more than inconsequential will not be prevented or detected.

The Standard specifies that a misstatement is **inconsequential** if a reasonable person would conclude, after considering the possibility of further undetected misstatements, that the misstatement, either individually or when combined with other misstatements, would **clearly be immaterial** to the financial statements. If a reasonable person could not reach such a conclusion regarding a particular misstatement, that misstatement would be **more than inconsequential**.

- **Material Weakness** — A significant deficiency or combination of significant deficiencies that results in a more-than-remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

The term *remote likelihood*, as used in the definition of significant deficiency and material weakness, has the same meaning that the term *remote* has in FASB Statement No. 5 (FAS 5), *Accounting for Contingencies*. In FAS 5, the term *remote* means that "the chance of the future event or events occurring is slight."

The following criteria can be used to assess the classification of an internal control deficiency, individually or in the aggregate, **after considering compensating controls**:

Classification of Deficiency	Likelihood of Misstatement		Potential Magnitude of Misstatement
Significant Deficiency	More than remote	AND	More than inconsequential
Material Weakness	More than remote	AND	Material



# 2019 Letter on Internal Control Over Financial Reporting

## Information Technology Findings

- Two significant deficiencies
  - System Authorizations and Continuous Monitoring
  - Plans of Action and Milestones Remediation
- Four other control related matters
  - Access Controls
    - Segregation of Duties
    - Account Management
  - Contingency Planning
    - Continuity Planning
  - Security Program Management
    - System Security Plans

## Financial Findings

- One other control related matters
  - Reconciliation of OMNI Participant Level Reporting

# Required Governing Body Communications

- Auditors' responsibility under US Generally Accepted Auditing Standards
- Accounting Policies – No new for 2019
- Management judgments and accounting estimates
  - Valuation of investments
  - Contribution receivables
- Financial statement disclosures are neutral, consistent, and clear
- No audit adjustments and no uncorrected audit adjustments above our SAS 114 clearly trivial threshold were noted



# Required Governing Body Communications (continued)

- Management was very cooperative and professional during the audit process
  - No disagreements with management
  - Management did not consult with other accountants on the application of GAAP or GAAS
  - No major issues were discussed with management prior to retention
- Management Representations





# June 30, 2020 Review Plan

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# June 30, 2020 Review

- Review of the Thrift Savings Fund financial statements as of and for the six months ended June 30, 2020
- Work to be performed during July/August 2020
- Reports to be issued:
  - Draft from management – August 2020
  - Final – September 2020
- Presentation of the results at the October Board meeting



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