



FEDERAL RETIREMENT THRIFT INVESTMENT BOARD
77K Street, NE Washington, DC 20002

January 27, 2020

MEMORANDUM FOR THE EXECUTIVE DIRECTOR AND BOARD MEMBERS

FROM: Barbara Holmes, Chief Audit Executive

SUBJECT: Request for Approval of the Calendar Years (CY) 2020 and 2021 Internal Audit Plan

Please find attached FRTIB's Internal Audit Division CY 2020/2021 Internal Audit Plan for your review. I am requesting your approval at the January 27, 2020 Board Meeting.

FEDERAL RETIREMENT THRIFT INVESTMENT BOARD



FRTIB Internal Audit Calendar Years (CY) 2020/2021 Audit Plan

A. Introduction

FRTIB's Internal Audit Division reports jointly to the Executive Director and the FRTIB Board Members, and administratively, to the Executive Director of the agency.

The objective of FRTIB Internal Audit is to safeguard the Thrift Savings Plan's (TSP) assets and data, and to improve the TSP's operations through examination and evaluation of FRTIB's risk management, internal control and business governance processes. In addition, FRTIB Internal Audit furthers the interests of the TSP participants and beneficiaries by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of FRTIB operations.

A two year audit plan for CY 2020 and CY 2021 is being proposed to FRTIB Board Members.

Subject to the approval by the FRTIB Board Members, this audit plan is intended to communicate those planned audits and other activities of the FRTIB Internal Audit for the period January 1, 2020 through December 31, 2021.

B. Audits Deferred from CY2018 to CY2019

In December 2018, the Improper Payment audit was deferred from CY2018 to CY2019. Upon further assessment of the applicability of conducting this audit in 2019 or 2020, this audit will be deferred until the business process matures and is auditable.

| Audit | Primary Objective | Year | Status |
|-----------------------------|---|---|--|
| Improper Payment Monitoring | Review outgoing vendor and benefit payments to ensure that payments are proper, approved, and supported by documentation, and to identify payment anomalies requiring further analysis. | CY 2018. Request to defer to CY2019 was made 12/2018. | Defer until business process matures and is auditable. |

C. Proposed Audits for CY 2020/2021

The Chief Audit Executive (CAE) conducted a risk assessment to develop the CY2020/2021 Audit plan. Based on the results of the risk assessment, a two year audit was drafted and socialized with executive leadership. The following four audits for CY2020, excluding the annual FISMA audit are as follows:

CY2020 Proposed Audit Plan

| Audit | Primary Objective | Year | Basis for Inclusion |
|---|--|--------|--|
| On-Boarding/Off-Boarding of contractors | Ensure contractors are boarded and off-boarded in accordance with policies, procedures and internal controls | CY2020 | KPMG is proposing this audit for new and exiting employees |

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|-------------------------------|---|---------|---|
| The Budget Process | Evaluate the process “end to end” | CY2020 | Audit of area has not been performed internally at FRTIB. A component is included in KPMG’s Board Staff audit |
| Government Purchase Card | Evaluate policies, procedures and process around the use of the GPC | CY2020 | Corporate governance |
| Special Processing Unit (SPU) | Evaluate the process of a specific area of the SPU such as a subset of Court-ordered payments or Mandatory Victims Restitution Act (MVRA’s) | CY2020 | Will select an specific area of SPU that has not been audited before |
| *FISMA Audit | Assess information security and related practices pursuant to the requirements of the Federal Information Security Modernization Act of 2014 and related reporting metrics. | CY 2019 | Compliance with the requirements of the Federal Information Security Modernization Act of 2014. |

CY2021 Proposed Audit Plan

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|--------------------------------------|---|---------|---|
| Contract Process/Contract Management | Review the contract and contract management process | CY2021 | Follow-up audit to 2018 Procurement and Contract Management Audit.” |
| Insider Threat | Review the program, policies, procedures | CY2021 | New program. KPMG is auditing in FY2020. |
| Travel Card | Review the remediation efforts of prior audit | CY2021 | Will remove from plan if all recommendations have been remediated |
| Compliance Program | Review the compliance program/process | CY2021 | New Program |
| *FISMA Audit | Assess information security and related practices pursuant to the requirements of the Federal Information Security Modernization Act of 2014 and related reporting metrics. | CY 2021 | Compliance with the requirements of the Federal Information Security Modernization Act of 2014. |

D. Follow-up on “Open” Internal Audit Recommendations

FRTIB CAE has engaged the co-sourced audit resources (Kearney) to review “open audit recommendation and remediation efforts by the Program Office”. There are currently 22 open Internal Audit recommendations, 10 of which have remediation packages to be reviewed.

E. Other Internal Audit Activities

In order to continue to support the continued development of FRTIB Internal Audit and to support a strong control environment at FRTIB, the following activities have been completed prior to this meeting

- Updated the Internal Audit Charter and related policies and procedures to reflect current practices
- Requiring the contract audit resources (firms) to provide an attestation of their QA process, in lieu of establishing and maintaining an internal QA function for Internal Audit.
- Establishing a risk rating system for Internal Audit findings. Internal Audit findings will be risk rated using a subset of OERM's five point scale, as "High, Medium, and Low".
- Laying the foundational work for the FRTIB/EBSA Pen Test
- Provide input and guidance on the Fraud, Waste and Abuse (FWA) Hotline
- Completed the second phase of IV&V (IV&V2)

In CY2020, Internal Audit will continue to do the following:

- Sharing of best practices and risk factors to help support agency objectives related to the efficiency and effectiveness of agency operations, compliance with laws and regulations, and internal and external reporting; and

F. Budgetary Resources

FRTIB Internal Audit is led by the CAE hired in August 2019. The CAE has no direct reports and relies on contract audit resources – the following CPA firms to perform the internal audit fieldwork:

- Kearney and Company – performance and IT audits, and
- Williams Adley – FISMA audit.

A Blanket purchase agreement (BPA) is in the process of being drafted for internal audit resources and task orders will be put out to bid for individual audits.

At the present time, the FRTIB Internal Audit CAE believes that existing resources will be adequate to complete the audits identified in the audit plan, and will inform the Executive Director and Board Members regarding the potential need for additional resources, if necessary.