

Internal Audit Update

PRESENTED BY: Barbara Holmes, Chief Audit Executive,
Office of Executive Director
THE FEDERAL RETIREMENT THRIFT
INVESTMENT BOARD

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Thrift Savings Plan

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Agenda

Internal Audit Activities

- Internal Audit Structure and Staffing
- Other Internal Audit Activities

Draft 2020/2021 Internal Audit plan

Status of 2019 Internal Audits

- Fixed Asset Audit 2019 – Report Attached
- OMNI audit-Draft Report Issued

IV&V 2 Status and Next Steps

Motions for Approval

- Updated Internal Audit Charter
- CY2020/2021 Internal Audit Plan



Internal Audit Activities

- Internal Audit Structure
 - Report to Executive Director and Board
 - Staffed with co-sourced external resources (Kearney)
- Updated Internal Audit Charter
 - Highlights include the following:
 - Change in reporting structure;
 - Proposing a 2 year audit plan instead of 1 year plan; and
 - Removal of the Quality Assurance Function
- Updated Internal Audit Policy and Procedure
- Reviewing prior year internal audit findings for inclusion in CY2020/2021 audits



Internal Audit Activities (Continued)

- Reviewing the remediation efforts that the Program Offices have implemented in response to Internal Audit findings.
- Implementing a “risk rating” for Internal Audit findings using an abbreviated version of the OERM, 5 point scale, risk rating model. Internal Audit findings will be risked “Low”, “Medium” or “High” by Internal Audit with concurrence from Program Office Senior Management. (More details in Appendix A)
- Fraud, Waste and Abuse Hotline project – will report status routinely to the Board

CY2020/2021 Internal Audit Plan



CY 2020 Proposed Audit Plan

- Five Internal Audits tentatively planned for 2020. The proposed audits are:
 - On-Boarding/Off Boarding of Contractors (KPMG is proposing this audit for new and exiting employees, so there would be no overlap)
 - The budget process (end to end process based audit)
 - Government Purchase Card
 - Special Processing Unit (narrowly defined scope (TBD) – subset of Court ordered payments, MVRA's)
 - The Annual FISMA Audit

Note: The 2 year audit and proposed audits have been socialized with the Executive Leadership Team. The Improper payments audit will be deferred until further notice.

CY 2021 Proposed Audit Plan

- The tentative CY 2021 plan includes the following audits:
 - Travel card (this will be a limited scope audit to review remediation efforts of prior audit-ORM has submitted 5 remediation packages addressing 8 of the findings/recommendations)
 - Contracting process/Contract Management (follow-up audit to 2018 Procurement and Contract Management Audit)
 - Insider Threat (New program)
 - Compliance program (New program)
 - The Annual FISMA audit

Status of 2019 Internal Audits



Fixed Assets Audit – Report Issued 10/16/2019

- **Objective**

- Determine whether FRTIB property management internal controls were operating effectively and in compliance with agency property and inventory management policies and procedures.
- Determine whether FRTIB property management procedures, from acquisition to disposal, were in compliance with agency property and inventory management policies and procedures.
- Obtain reasonable assurance that property management internal controls are adequate and ensuring that property records (i.e., inventories) are documented, comprehensive, and accurate.

- **Scope**

- Fixed assets capitalization, depreciation, disposal, and inventory maintenance for July 1, 2018 through June 30, 2019.

- **Findings:**

- Four audit findings, all concurred by management.

Fixed Asset Audit - Findings

- General theme of the findings relate to procedures that do not provide guidance for maintaining a link and/or communication protocols between accounting and Program Offices
 - Several instances were found where:
 - Program Offices did not inform OCFO when assets were no longer in use or disposed
 - Fully depreciated assets still on the books
 - OCFO and Program Offices did not verify the nature of the asset (fixed asset or expensed asset) and applicable expenses
 - Accounting information (contract number or invoice number) were not included when assets were recorded in the Program Office inventory listing
 - Omitting this information prevents linking the assets back to the their contract information and the general ledger

Fixed Asset Audit -Recommendations

- FRTIB management update policies and procedures to include:
 - Identifying processes for Disposal of Assets in accounting procedures
 - Should require sufficient information in disposal records to link disposed items to accounting records
 - Establish communication protocols between accounting and Program Offices
 - Identify and remove an asset when it is no longer in use
 - Ensure confirmation occurs if assets should be capitalized or expensed when onboarding assets
- Implement a control between OCFO and Program Offices for asset acquisition/disposition
 - Determine if the asset should be capitalized
 - Document, save, and communicate results to the appropriate personnel

2019 OMNI Audit – Commenced 10/7/2019

- **Objectives:**

- Conduct tests of critical controls as defined by FISCAM;
- Identify weaknesses found during testing of critical controls;
- Offer recommendations to improve the identified risks;
- Develop Notice of Findings and Recommendations (NFR); and
- Prepare a Draft and Final Report identifying the weaknesses and recommendations

- **Scope:**

- The scope of the audit is to test the business process, Interface and data management controls over the OMNI application based on FISCAM. The testing period for collection of evidence and artifacts is from January 1, 2019 – September 30, 2019

- **Audit Timeline:**

- Audit Field Work – October 7, 2019 to November 30, 2019
- One NFR issued, OTS concurs. Draft report issued December 30, 2019
- Final Report – February 7, 2020.
- Report to Board – February 24, 2020

Status of IV&V2



IV&V2 Updates

- Validation process started in October 2019. The breakdown of the validation packages are as follows:
 - 7 OTS, 5 OPS, 1 OGC and 1 OCFO
 - Years: 1(2014), 3(2015), 3 (2016), 3(2017) and 4 (2018)
- OERM performed the initial review of the remediation packages.
- Kearney has completed 13 packages
 - One package is in final phase of review and validation.
- Will focus on 10-15 High risk remediation packages after IV&V2 completion
 - Anticipated IV&V3 Kick-off is Q2/Q3 2020

Internal Audit Motions



Approval of the Internal Audit Charter

Approval of the CY2020/2021 Internal Audit Plan

Questions



Appendix A: Risk Rating of Internal Audit Findings

- Starting in 2020, implementing a process for applying a risk rating methodology to Internal Audit Findings. This risk rating would be based on using an abbreviated version of OERM's five point risk scale.
- Internal audit findings will be risk rated "Low", "Medium" or "High" based on underlying criteria such as risk to the organization as a whole, risk of not-remediating, etc. Internal Audit will conduct the risk rating of the audit findings with concurrence from the respective Program Offices.
- Internal Audit finding rated "Low", may or may not be remediated by the Program Office, however will still be tracked. Audit findings risk rated "Medium" or "High" will require remediation.
- The status of all 3 risk categories and the disposition of Internal Audit findings will be tracked by Internal Audit and will be reported to the Board routinely.