



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

May 24, 2017

Employee Benefits Security Administration Performance Audit of the Thrift Savings Plan
Withdrawal Process dated September 20, 2016

Audit Scope Period:

January 1, 2014 through June 30, 2015

Audit Objectives:

- Determine whether the Agency implemented certain procedures to (1) process TSP withdrawal transactions promptly and accurately in individual participant accounts, (2) process withdrawal and death benefit payments in accordance with regulations and participant authorization, and (3) accurately record withdrawal activity in the TSP accounting records;
- Test compliance of the TSP withdrawal process in accordance with 5 USC Sections 8433, 8434(a)(1), 8435(c), 8424(d), and 8440 (hereinafter referred to as FERSA), and 5 CFR 1650, 1650.14, 1650.16, 1651.19, and 1653 (hereinafter referred to as Agency Regulations); and
- Determine the status of the prior EBSA TSP open recommendations reported in *Performance Audit of the Thrift Savings Plan Withdrawals Process as of November 9, 2011*.

Audit Results

KPMG concluded that for the period January 1, 2014 through June 30, 2015, the Agency implemented certain procedures to (1) process TSP withdrawal transactions promptly and accurately in individual participant accounts, (2) process withdrawal and death benefit payments in accordance with regulations and participant authorization, and (3) accurately record withdrawal activity in the TSP accounting records. However, as indicated above, KPMG noted internal control weaknesses in certain areas that could adversely affect the TSP withdrawal process. As a result of compliance testing, KPMG did not identify any instances of noncompliance with FERSA, or Agency regulations except for an instance of noncompliance with certain elements of 5 CFR 1653, which describes the requirements for calculating a payee's entitlement for court order awards.

KPMG presented two new recommendations related to controls over the TSP withdrawal process:

1. Court order entitlement weakness (Fundamental Control)¹
2. Insufficient documentation for TSP imaging system controls (Fundamental Control)

KPMG also reviewed five prior EBSA recommendations related to the TSP withdrawals process to determine their current status. In summary,

- Two recommendations have been implemented and closed
 1. Proper notifications to participants (Fundamental Control)
 2. Erroneous payments of required minimum distributions (Fundamental Control)
- One recommendation has not been implemented but was closed
 1. Inaccurate establishment of beneficiary participant accounts. (Fundamental Control)
- One recommendation has been partially implemented but was closed and reissued under a new recommendation:
 1. Accuracy of court order payments (Fundamental Control)
- One recommendation has been partially implemented and remains open.
 1. Remaining balance in TSP account subsequent to full post-separation withdrawal (Other Control)

¹ Fundamental control recommendations 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 or that assets are inadequately safeguarded against loss. Other control recommendations address procedures or processes that are less significant than fundamental controls.