

Deloitte

FEDERAL RETIREMENT THRIFT INVESTMENT BOARD

Thrift Savings Plan
June 30, 2006 Review

October 16, 2006

Audit • Tax • Consulting • Financial Advisory •

Agenda

- Summary of 2006 Review
 - Scope of Services
 - Summary of Results
 - Management Comment Letter
- Year-End Audit Plan for CY 2006
 - Scope of Services
 - Client Service Team
 - Timing and Reports for CY 2006
- Questions and Comments

Summary–June 30, 2006 Review

- **Scope of Services**

- Review of financial statements of Thrift Savings Fund for Six-Month Period Ended June 30, 2006
 - Conducted in accordance with Statements on Standards for Accounting and Review Services (SSARS) issued by the American Institute of Certified Public Accountants (AICPA)
 - Plan and perform review services to determine if any material modifications should be made to the June 30, 2006 financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America
 - Performed analyses of financial data
 - Inquired as to changes in internal controls over financial reporting and general computer and application controls
 - Made inquiries of Agency and contractor personnel – those responsible for financial and accounting matters
 - Work performed at Agency Headquarters (Washington)
- Review is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America
 - Not expressing an opinion regarding the financial statements taken as a whole

Summary–June 30, 2006 Review (cont.)

- **Summary of Results**

- Independent Accountants' Review Report

- Not aware of any material modifications that should be made to the June 30, 2006 financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America

- Subsequent Events

- Barclays Contract Renewal

- No opinion on internal controls expressed

- **Updated Understanding of Status of Prior Recommendations**

Status of Prior Recommendations

- As part of our review procedures, we updated our understanding of internal controls
 - We did not test operating effectiveness of the controls
 - We did not test any changes made to improve areas commented on in previous years
- We did update our understanding of status of prior recommendations (summarized on following table)

Status of Prior Recommendations (cont.)

Prior Comment/ Recommendation	Status per Discussions with Agency Personnel
Information Security – User Access Administration	On June 9, 2006, instructions went out for NFC staff Savantage and PowerImage ID's be terminated with follow-up correspondence regarding terminating IDs for other NFC individuals and personnel no longer employed at the Agency.
Information Security – Disaster Recovery Testing	Pittsburgh Disaster Recovery Site was tested with live data in 2005 for the OmniPlus Recordkeeping system and the Windows servers. A complete Disaster Recovery test was completed on February 23-24, 2006 and two problems with the data had been identified and resolved by March 6, 2006.
Approval and Review Process	A 100% quality assurance process was initiated and became a permanent procedure on March 1, 2006 for loans and TSP 70s, 76s, and 77s forms.
Managing Unapplied Cash and Treasury Credits	SI now manages the monitoring function of the Accounts Receivable and the work-flow process. Typical Treasury Debits and Credits are entered into PowerImage on a daily basis and SI enters the IPAC system to download the other non-routine Treasury Debits and Credits on a monthly basis.
Reconciliation of Fund Balances	No change. The Agency is developing a revised process to consolidate its existing Omni fund reconciliations with reconciliations through to the financial statement fund balances.

Status of Prior Recommendations (cont.)

Prior Comment/ Recommendation	Status per Discussions with Agency Personnel
Taxable Distributions	On March 31, 2006, the TSP reamortized loans that were missing 2 ½ or more payments. On June, 30, 2006, a quarterly system sweep was run to identify participants who were still not current with their loan balances. Participants were notified, and if payment is not made by September 30, 2006, the loan will be declared a taxable distribution.
Maintaining Electronic Copies of Manual Documents	All withdrawal and loan documents are retained in an electronic form in PowerImage and the plan is to include reconciliation documentation in electronic format by the end of FY06.
Maintaining Transaction Identification	A unique identifier has been developed for the transaction number field for all transactions. There is now a payee number that is unique to the individual and a separate transaction number.
Control Framework	At the June Board Meeting, Mr. Petrick presented a plan for implementation of a controls framework. A Senior Assessment Team has been identified and the first meeting was held on July 25th, with subsequent monthly meetings scheduled. The process for documenting the control environment is underway and certain controls have been identified and linked to specific financial statement line-items. The Agency has discussed selecting a software package to help manage the implementation and is exploring training courses, one as an introduction to OMB Circular A-123 and one on how to use the software eventually purchased.

Audit Plan for CY 2006

- Audit Contract
- Scope of Services
- Client Service Team
- Timing and Reports for 2006 Year-End

Audit Plan for CY 2006

(cont.)

Audit Contract

- 4th Year of 5-year Audit Contract
- Current Year – 1st Option period, pending modification/funding

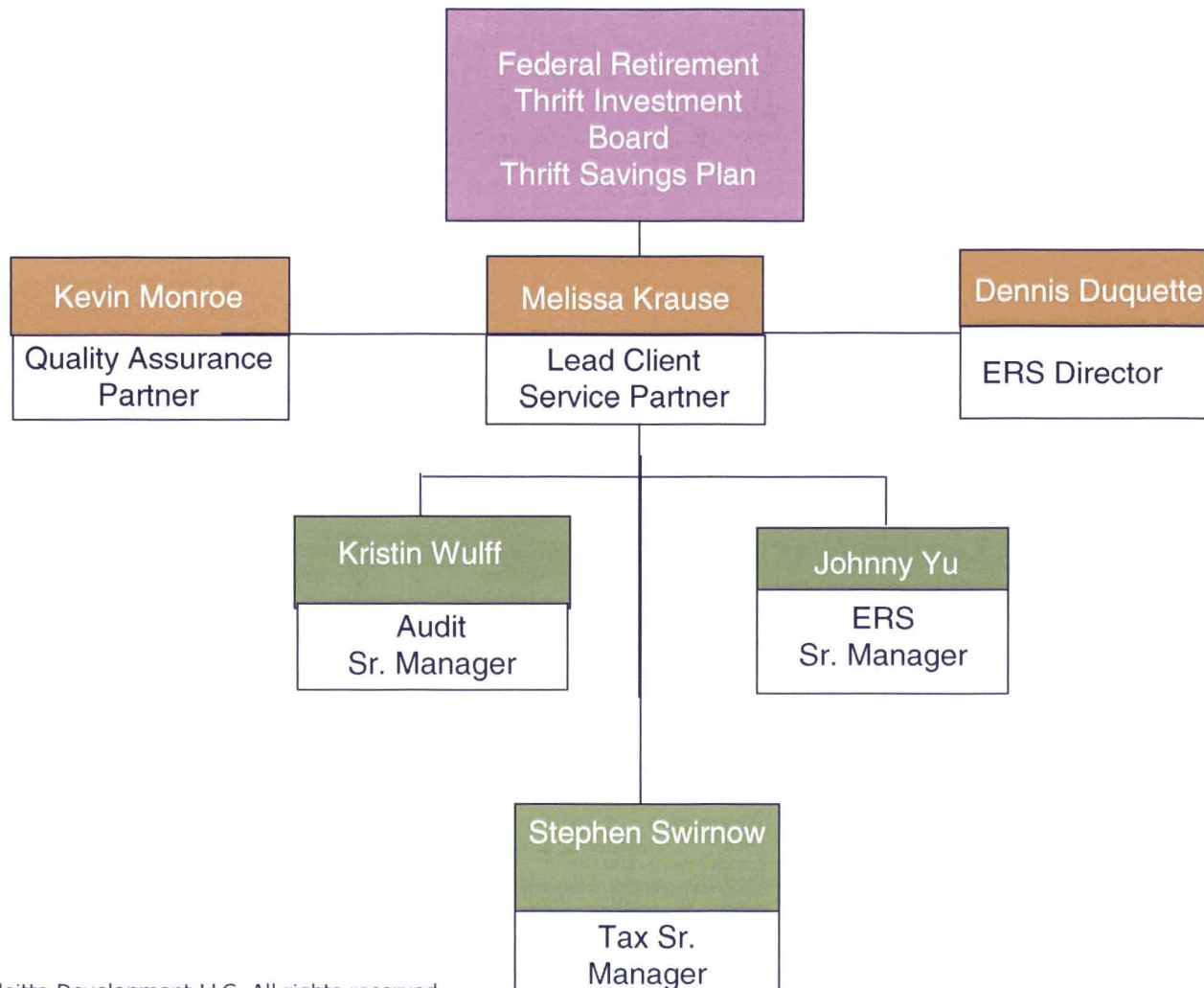
Scope of Services

- Audit of the Annual Financial Statements Thrift Savings Fund as of December 31, 2006
- Management letter
- Required communications
- Ongoing consultation as needed

Audit Plan for CY 2006

(cont.)

Client Service Team



Audit Plan for CY 2006

(cont.)

Timing and Reports for 2006

- Audit: Planning and Internal Controls
(November - December 2006)
- ERS: Planning and Internal Controls
(October 2006 – February 2007)
- Substantive Testing *(February – March 2007)*
- Final Reports – *March 2007*
 - Audit Opinion
 - Management Letter
 - Board Communication under SAS 61

Deloitte

Member of
Deloitte Touche Tohmatsu

Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu, a Swiss Verein, its member firms and their respective subsidiaries and affiliates. Deloitte Touche Tohmatsu is an organization of member firms around the world devoted to excellence in providing professional services and advice, focused on client service through a global strategy executed locally in nearly 150 countries. With access to the deep intellectual capital of 120,000 people worldwide, Deloitte delivers services in four professional areas, audit, tax, consulting and financial advisory services, and serves more than one-half of the world's largest companies, as well as large national enterprises, public institutions, locally important clients, and successful, fast-growing global growth companies. Services are not provided by the Deloitte Touche Tohmatsu Verein and, for regulatory and other reasons, certain member firms do not provide services in all four professional areas.

As a Swiss Verein (association), neither Deloitte Touche Tohmatsu nor any of its member firms has any liability for each other's acts or omissions. Each of the member firms is a separate and independent legal entity operating under the names "Deloitte," "Deloitte & Touche," "Deloitte Touche Tohmatsu," or other related names.

In the US, Deloitte & Touche USA LLP is the US member firm of Deloitte Touche Tohmatsu and services are provided by the subsidiaries of Deloitte & Touche USA LLP (Deloitte & Touche LLP, Deloitte Consulting LLP, Deloitte Financial Advisory Services LLP, Deloitte Tax LLP and their subsidiaries), and not by Deloitte & Touche USA LLP. The subsidiaries of the US member firm are among the nation's leading professional services firms, providing audit, tax, consulting and financial advisory services through nearly 30,000 people in more than 80 cities. Known as employers of choice for innovative human resources programs, they are dedicated to helping their clients and their people excel. For more information, please visit the US member firm's web site at www.deloitte.com/us.

Member of Deloitte Touche Tohmatsu