



U.S. Department of Labor Employee Benefits Security Administration

Fiscal Year 2019 Thrift Savings Plan Fiduciary Oversight Program

**Presentation to the
Federal Retirement Thrift Investment Board**

April 29, 2019



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Employee Benefits Security Administration TSP Fiduciary Oversight Program Presentation to the Federal Retirement Thrift Investment Board

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I. Scope of TSP Performance Audits

	<u>Plan</u>				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>IT Audits</u>					
1. System Enhancements and Software Change Controls	FS	—	—	—	FS
2. IT Operations Management	FS	—	—	—	FS
3. Computer Access and Security Controls	—	—	FS	FS	FS
4. Service Continuity Controls	FS	—	—	FS	—
5. Participant Website Controls	FS	—	—	—	FS
6. Mainframe Configuration	—	FS	—	FS	—
7. Mobile Device Security and Governance Controls	—	SP	—	SP	—
8. Insider Threat Controls	—	—	SP	—	—
9. Special Projects – IT	SP(1)(4)	SP(1)(2)(3)	SP(1)(2)	SP(1)(2)	—

- (1) Status Determination of Certain Prior Audit Recommendations
- (2) National Defense Authorization Act for Fiscal Year 2016 related reviews
- (3) Limited General IT Control Review over Remote TSP Contractor Sites
- (4) Dallas Contact Center

FS = Full Scope

SP = Special Project



I. Scope of TSP Performance Audits (continued)

		Plan				
<u>Process Audits</u>		<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
10.	Participant Support/Contact Center Operations	—	FS	—	FS	FS
11.	Loan Operations	—	FS	—	FS	FS
12.	Account Maintenance	—	FS	FS	—	FS
13.	Withdrawals	—	—	FS/SP(5)	—	FS
14.	L Fund Operations	FS	—	—	FS	FS

(5) Implementation of the Defending Public Safety Employees' Retirement Act

FS = Full Scope

SP = Special Project



I. Scope of TSP Performance Audits (continued)

<u>Other TSP Activities</u>	<u>Plan</u> <u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
1. Treasury “G” Fund Investment Operations	—	FS	—	—	FS
2. Investment Management Operations (“F”, “C”, “S” and “T” Funds)	—	—	FS	FS	FS
3. Annuity Operations	—	FS	—	FS	FS
4. The Board’s Staff	—	FS	—	—	FS
 <u>Federal Agencies*</u>					
1. U.S. Department of Agriculture’s National Finance Center	—	—	—	FS	—
2. Defense Finance and Accounting Service (as Uniformed Services Payroll Service Provider)	FS	—	—	—	—

FS = Full Scope

SP = Special Project

* Since the inception of the Thrift Savings Plan (TSP) fiduciary oversight program, we have tested compliance at 44 agencies and 2 uniformed services as of September 30, 2018. However, most recently, we have focused on large federal government payroll service providers to maximize the number of participants covered in our audits.



II. Tentative Schedule of Current TSP Performance Audits

2019 Performance Audits in Progress

	<u>Work Began</u>	<u>FRTIB Exit</u>
<u>IT Audits</u>		
System Enhancements and Software Change Controls	Jan-19	Apr-19
Participant Website Controls	Jan-19	May-19
Service Continuity Controls	Mar-19	May-19
IT Operations Management	Apr-19	Jun-19

Process Audits

L Fund Operations	Jan-19	May-19
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Federal Agencies

Defense Finance and Accounting Service	Feb-19	June-19
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II. Tentative Schedule of Current TSP Performance Audits (continued)

2019 Performance Audits to be Started

	<u>Work Begins</u>	<u>FRTIB Exit</u>
<u>IT Audits</u>		
Status Determination of Certain Prior Year Recommendations	Apr-19	Jun-19
Dallas Contact Center	May-19	July-19



III. Highlights of Overall Assessment: May 2018– April 2019

Summary of Audits Completed since May 2018 (through April 15, 2019)

Number of audits completed	13
Instances of material non-compliance with FERSA	0
Number of closed recommendations	35
Number of new recommendations	38



III. Highlights of Overall Assessment: May 2018 – April 2019 (continued)

Summary of Audits Completed since May 2018 (through April 15, 2019) (continued)

Audit	Scope Period	Prior Year Recs Remaining Open	Prior Year Recs Closed	New Fundamental Recs	New Other Recs
Computer Access	1/1/2017 - 12/31/2017	20	4	6	1
Insider Threat	10/1/2016 - 9/30/2017	N/A	N/A	2	0
Treasury “G” Fund Investment Operations	1/1/2017 - 12/31/2017	N/A	N/A	0	0
The Board's Staff	1/1/2017 - 12/31/2017	2	0	4	2
Loan Operations	10/1/2016 - 12/31/2017	2	1	0	1
Annuity Operations	1/1/2017 - 12/31/2017	0	3	0	1
Account Maintenance	4/1/2017 - 3/31/2018	0	1	0	1
Participant Support/Contact Center Operations	4/1/2017 - 3/31/2018	2	18*	5	0



III. Highlights of Overall Assessment: May 2018 – April 2019 (continued)

Summary of Audits Completed since May 2018 (through April 15, 2019) (continued)

Audit	Scope Period	Prior Year Recs Remaining Open	Prior Year Recs Closed	New Fundamental Recs	New Other Recs
Limited General IT Control Review over Remote TSP Contractor Sites	3/1/2017 - 2/28/2018	N/A	N/A	2	0
Mobile Device Security and Governance Controls	5/1/2017 - 4/30/2018	7	4	11	0
Mainframe Configuration	3/1/2017 - 2/28/2018	22	2	1	1
National Defense Authorization Act Post-Implementation Controls	9/1/2017 - 6/30/2018	0	0	0	0
Status Determination of Certain Prior Year Recommendations	**	N/A	2	0	0
Agency Total		55	35	31	7

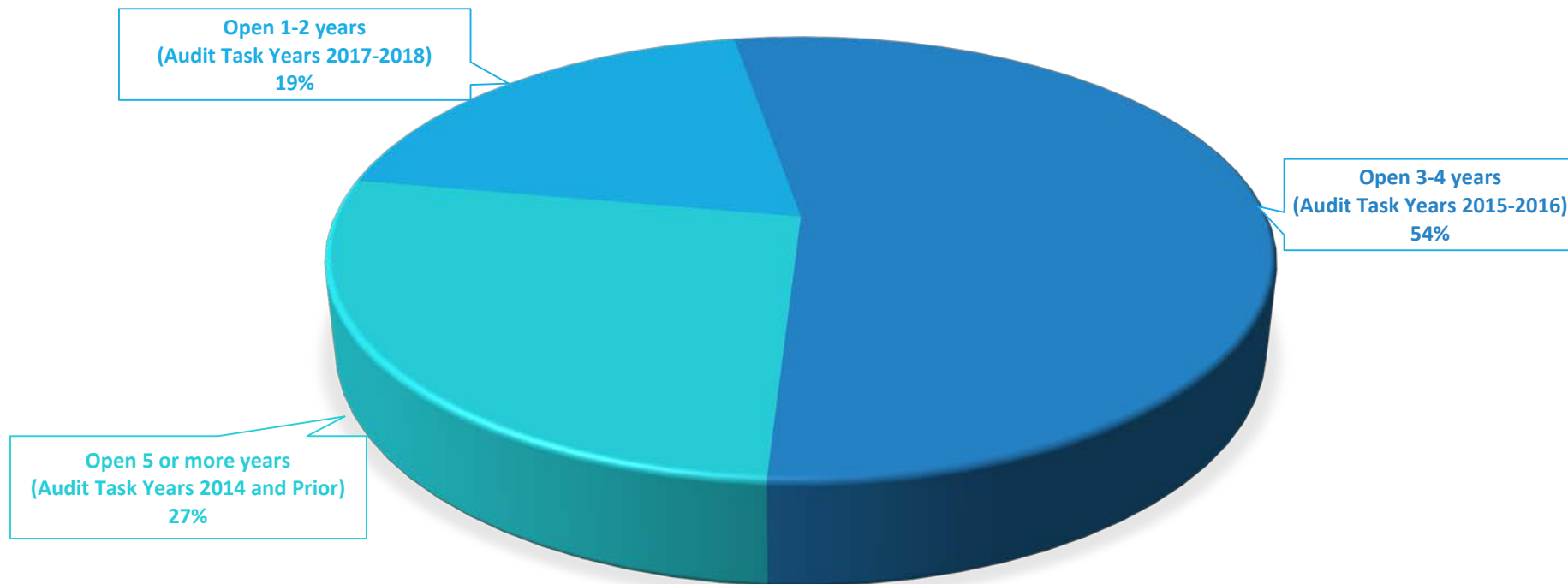
* Eight of these recommendations were either partially implemented or not implemented, but considered overcome by events and closed.

** The scope of this audit included review of the status of certain audit recommendations as of May 10, 2018.



IV. Open Recommendation Aging Analysis – IT Audits

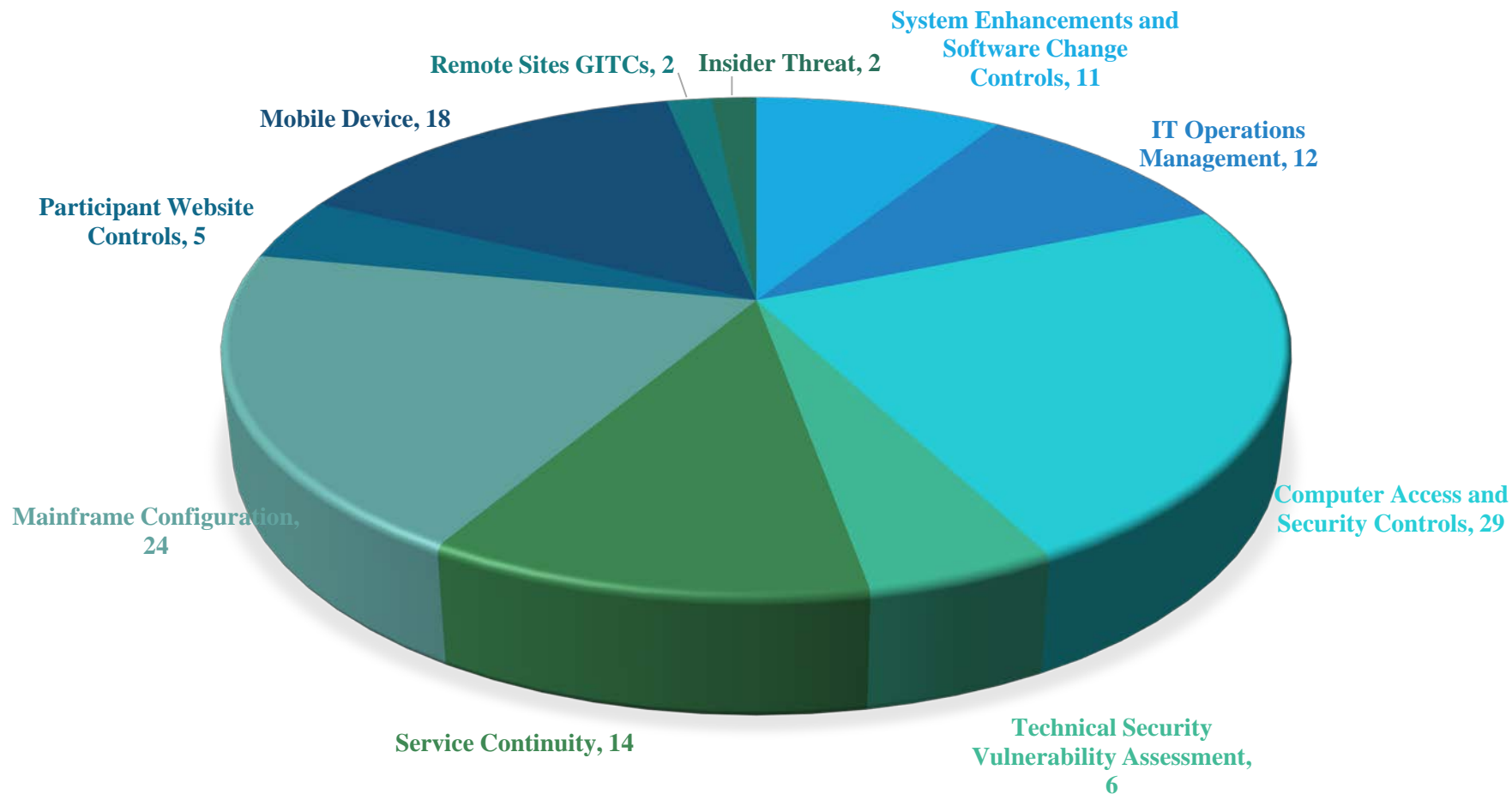
AGING ANALYSIS OF OPEN RECOMMENDATIONS - IT AUDITS





V. Summary of Open Recommendations

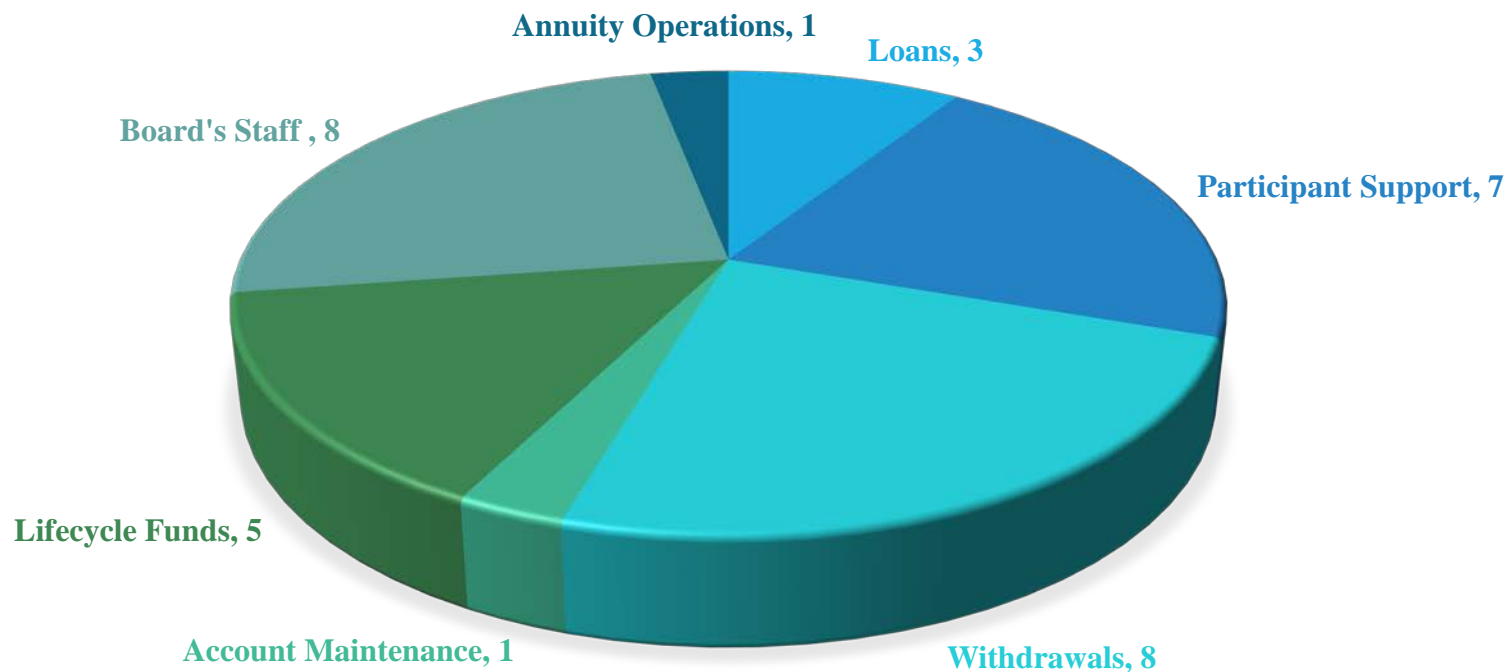
OPEN RECOMMENDATIONS - IT AUDITS





V. Summary of Open Recommendations (continued)

OPEN RECOMMENDATIONS - PROCESS AND OTHER AUDITS





V. Summary of Open Recommendations (continued)

<u>IT Audits</u>	<u>Fundamental Controls</u>	<u>Other Controls</u>	<u>Total</u>	<u># Open Originating Prior to 2018</u>
1. System Enhancements and Software Change Controls (2) *	10	1	11	11
2. IT Operations Management (2) **	11	1	12	12
3. Computer Access and Security Controls (4)	27	2	29	29
4. Technical Security Vulnerability Assessment (1)	6	--	6	6
5. Service Continuity Controls (3)	12	2	14	14
6. Participant Website Controls (2)	5	--	5	5
7. Mainframe Configuration (5)	23	1	24	22

* Includes one fundamental controls recommendation from the *2010 Project Management Practices over Certain Thrift Savings Plan Projects and Follow Up on Prior Year Findings* performance audit.

** Includes one fundamental controls recommendation from the *2016 Status Determination of Prior Year Recommendations* performance audit.



V. Summary of Open Recommendations (continued)

<u>IT Audits</u>	<u>Fundamental Controls</u>	<u>Other Controls</u>	<u>Total</u>	<u># Open Originating Prior to 2018</u>
8. Mobile Device Security and Governance Controls (5)	18	--	18	7
9. National Defense Authorization Act Implementation (5)	--	--	--	--
10. Insider Threat Controls (4)	2	--	2	2
11. Remote Sites General IT Controls (5)	2	--	2	--



V. Summary of Open Recommendations (continued)

<u>Process Audits</u>	<u>Fundamental Controls</u>	<u>Other Controls</u>	<u>Total</u>	<u># Open Originating Prior to 2018</u>
1. Participant Support/ Call Center Operations (5)	7	--	7	2
2. Loan Operations (5)	--	3	3	2
3. Account Maintenance (5)	--	1	1	--
4. Withdrawals (4)	5	3	8	8
5. Lifecycle Funds Operations (3)	4	1	5	5



V. Summary of Open Recommendations (continued)

<u>Other TSP Audits</u>	<u>Fundamental Controls</u>	<u>Other Controls</u>	<u>Total</u>	<u># Open Originating Prior to 2018</u>
1. "G" Fund Investment Operations	--	--	--	--
2. Investment Management Operations ("F", "C", "S" and "I" Funds)	--	--	--	--
3. Annuity Operations (5)	--	1	1	--
4. The Board's Staff (5)	5	3	8	2
Total Recommendations	<u>137</u>	<u>19</u>	<u>156</u>	<u>127</u>

(1) The most recent report was 2013.

(4) The most recent report was 2017.

(2) The most recent report was 2015.

(5) The most recent report was 2018.

(3) The most recent report was 2016.



VI. Other Considerations for the Board

- Recognize that connecting digital disruption with risk management and strategy is more important – and more challenging – than ever.
- Make CEO succession and talent development throughout the organization a priority.
- Assess, monitor, and reinforce culture as a strategic asset and critical risk.
- Continue to refine boardroom discussions about cybersecurity and data privacy as risk management issues.
- Reassess the organization's crisis prevention and readiness.

Source: KPMG Board Leadership Center's *On the 2019 Board Agenda*



VII. Future EBSA Initiatives

- Complete all audit areas of the TSP Fiduciary Oversight Program at least once every three years.
- Perform other special projects as appropriate.

A horizontal banner image spanning the width of the page. It features a clear blue sky as the background. On the left side, there are several tall, white classical columns, likely from a government building. The sun is visible in the sky, creating a lens flare effect.

Supplemental Information



A. Overview of the EBSA TSP Fiduciary Oversight Program

1. EBSA's TSP Fiduciary Oversight Responsibility

The Thrift Saving Plan (TSP) was authorized by Congress under the Federal Employees' Retirement System Act of 1986 (FERSA) (Public Law 99-335).

The Employee Benefits Security Administration (EBSA), through the statutory reference to the Secretary of Labor [5 USC 8477(g)], is responsible for establishing a program to carry out audits to determine the level of compliance with the requirements of FERSA relating to fiduciary responsibilities and prohibited activities of fiduciaries.



A. Overview of the EBSA TSP Fiduciary Oversight Program (continued)

2. EBSA's Approach to the TSP Fiduciary Oversight Program

EBSA's TSP audit procedures are designed to comply with *Government Auditing Standards*, published by the U.S. Government Accountability Office (GAO), for conducting the following audits:

- Performance audits, including assessments of program effectiveness, economy, and efficiency; internal control; compliance; and prospective analyses; and
- Financial-related audits, including reviews of certain financial information



A. Overview of the EBSA TSP Fiduciary Oversight Program (continued)

3. EBSA's TSP Fiduciary Oversight Program

EBSA's Program is designed to determine whether:

- The fiduciaries are acquiring, protecting, and using TSP resources effectively, efficiently, and solely in the interest of TSP participants and beneficiaries;
- The fiduciaries have complied with FERSA and other applicable laws and regulations;
- The TSP program activities, functions, and organization are cost effective and efficient; and
- EBSA's previous TSP recommendations have been adequately acted upon.



B. Examples of TSP Information Obtained for Each Audit

- Prior audit reports
- Organization charts
- Position descriptions
- Flowcharts
- Policies and procedures documents
- Relevant contracts
- Descriptions of support systems
- Identification of key TSP control points
- EBSA, Federal Retirement Thrift Investment Board members, and Agency management concerns



C. Uses of TSP Information Obtained for Each Audit

- Test internal controls
- Test TSP transactions and activities for compliance with applicable laws, regulations, and contracts
- Address EBSA, Federal Retirement Thrift Investment Board members, and Agency management concerns, as practicable
- Update EBSA's TSP Fiduciary Oversight Program Manual



D. Audit and Report Process for Each TSP Performance Audit

- Preliminary planning meeting(s), as needed
- Entrance conference
- Completion of walk-through meetings and field work
- Agency's initial review of pre-exit conference draft report (or sections thereof)
- Exit conference
- Agency's 21 day review period of draft report for formal written response to DOL EBSA
- Final report including the Executive Director's formal written response to DOL EBSA
- The Executive Director's presentation of report and formal written response to DOL EBSA at scheduled meetings of the Board
- Summarized final report forwarded to DOL Deputy Assistant Secretary for Program Operations for appropriate further action, if necessary
- DOL's and contractors' presentation of significant findings and recommendations and current year's TSP audit plan annually at a scheduled Board meeting