FEDERAL RETIREMENT THRIFT INVESTMENT BOARD
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GREGORY T. LONG
Executive Director

November 14, 2008

MEMORANDUM FOR: BOARD MEMBERS SAUL, FINK, WHITING, SANCHEZ, & DUFFY

FROM: GREG LONG
             Executive Director

SUBJECT: Status of Internal Control Project

Since authorized by the Board in July 2006 to pursue a program of compliance with the requirements of OMB Directive A-123, the Agency has made significant progress on its efforts to establish a program to document and test controls on its financial reporting, administrative practices, and legal compliance, as required by A-123. Specifically, as reported to the Board in November 2007, the Agency established a "Senior Assessment Team" of Office Directors and senior managers, which has identified over 70 key processes and their attendant risks and controls. It has documented the processes, assessed the risk to the program of a failure in those processes and identified the controls that are in place to prevent such failures. The next steps that must be taken to complete this effort are analysis of any "control gaps" and testing of existing controls to see if they work as intended. Additionally, documentation of existing controls must be consolidated and examined for adequacy.

During the past year, our continued progress on these efforts has been somewhat hampered by two resource issues. First, the staff member who had managed the control effort from its beginning moved to the accounting office to fill a key vacancy there. While it has taken some time to find a qualified replacement, we have recently identified a qualified candidate and expect to have the position filled by the beginning of 2009. Second, the vendor of the software that we had been using for this effort stopped supporting the version that we were using. It introduced a new software package that we have been evaluating. We have now decided to proceed with this package, but the transition to it will take some time.

We have used this additional time to evaluate the future direction of the A-123 implementation effort and to ensure that it complements efforts being made to address issues of organizational strategic planning, risk mitigation, and enhanced security.   In particular, we have met with the Director of the Office of Research and Strategic Planning to ensure that our respective efforts result in an efficient use of limited Agency

resources. Consequently, we are developing a plan for the control effort in 2009 that will include the following:

1. Identification of staff members to form a permanent "working group" to address control and risk issues.

Although the Senior Assessment Team approach was important to ensure the "buy-in" of Office Directors and other senior managers as we began this effort, it is not feasible to maintain that level of senior-level participation as we pursue efforts to document and test detailed controls. Rather than attempting to accomplish every action item during a formal meeting with senior staff, we now believe there is a need for a more permanent "working group" of staff members with the time and training to address these issues on a detailed basis. The precise duties and membership of such a working group are still being considered, but it should have the authority to examine all aspects of Agency, TSP, and contractor operations and would report its findings directly to the Executive Director. The existing Senior Assessment Team meetings of Office Directors and senior managers could then occur on a less frequent (perhaps quarterly) basis to consider key control issues and well as developments brought to their attention by the working group. Our goal is to appoint the members of the working group by the end of 2008.

2. Coordination of the control project with strategic planning goals.

A key focus in 2009 will be to develop the Strategic Plan for the Agency. The Director of Research and Strategic Planning will be leading this effort, but it will, of course, require participation by every office. As we identify strategic Agency goals and priorities, it will be important to reexamine the key processes we are tracking in the control area to ensure that we are prioritizing our identification of those processes and their risks with a more complete understanding of their role in accomplishing the Agency's strategic goals.

3. Focus on enterprise-wide risks.

Coordinating our control project with strategic planning efforts will allow us to ensure that our actions comport with the goals of enterprise risk management – which is to ensure that potential control failures are looked at in terms of their impact on the overall organization's ability to achieve its key goals and objectives. This allows us to avoid the inefficiencies of "stovepiping" or addressing issues separately in the context of each office's goals and objectives rather than considering their effect on the overall mission of the Agency. This will also allow for more efficient use of resources in supporting both the strategic planning and control efforts.

4. Coordination with risk and security efforts.

As we proceed in this direction with the control initiative, another important component of coordination is with ongoing security enhancement efforts. We want to ensure that the initiative supports ongoing efforts by the Agency to identify and address security risks to

the operation of the TSP. This means that we must ensure that efforts to address security needs and risks contribute appropriately to the task of documenting key controls without requiring duplication of effort by a limited number of staff members. Therefore, as in the case of the strategic planning exercise, we want to leverage heightened security efforts by ensuring that analyses and documentation for those efforts can be applied in the controls area and that documentation created in one area will be useful in another. We believe this can be facilitated by ensuring that the "working group" examines all aspects of risk and security, in addition to strategic goals, in determining those controls which should be documented and tested.

5. Reporting.

Use of the new software package will allow us to create more useful reports that will focus on the most important control areas and show how they relate to strategic goals. Developing such reports will be a focus of the working group.

We expect to continue to refine these plans as the "working group" is formed and as the strategic planning, risk management, and security efforts evolve. We will continue to advise the Board of our progress on these matters on a periodic basis.