



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

June 26, 2017

Employee Benefits Security Administration Performance Audit of the Thrift Savings Plan
Annuity Process dated February 3, 2017

Audit Scope Period:

January 1, 2015 through December 31, 2015

Audit Objectives:

- Determine whether the Agency implemented certain procedures to (1) process annuity payments and payments to beneficiaries promptly and accurately; (2) provide the annuity options prescribed under United States Code (USC) Title 5, Section 8483(a)(1) and Code of Federal Regulations (CFR) Title 5, Part 1650.14(d); (3) perform due diligence reviews of the annuity vendor's financial condition and evaluated the financial stability of the annuity vendor at time of contract award and in subsequent years as prescribed under 5 USC 8434(d)(4);
- Test compliance of the TSP annuity process in accordance with 5 USC Sections 8434(a)(1), 5 USC 8434(d)(3), and 8434(d)(4) (hereinafter referred to as FERSA), and 5 CFR 1650.14(d) hereinafter referred to as Agency Regulations); and
- Determine the status of the prior EBSA TSP open recommendations reported in the *Performance Audit of the Thrift Savings Plan Annuity Process, December 31, 2014*.

Audit Results:

EBSA determined for the period January 1, 2014 through December 31, 2014, the Agency implemented certain procedures to monitor Metropolitan Life's financial position and stability as prescribed in United States Code (USC) Title 5, Section 8423(d)(4). EBSA determined that for the period January 1, 2015 through December 31, 2015, Metropolitan Life implemented certain procedures to (1) process annuity payments and payments to beneficiaries accurately and timely and (2) provide the annuity options prescribed under the 5 USC 8434(a)(1) and Code of Federal Regulations (CFR) Title 5, Part 1650.14(d).

EBSA presented three new recommendations related to controls over the annuity process:

1. Inaccurate Reporting of Taxable and Tax Exempt Amounts for Annuity Purchases (Fundamental Control)¹
2. New Annuitant Payment Calculation Errors (Fundamental Control)
3. Weaknesses in Supervisory Review of New Annuitant Payment Calculations (Other Control)²

EBSA also reviewed one prior EBSA recommendation related to the TSP procurement process to determine their current status. That recommendation has been implemented and closed:

1. Supervisory Review of New Annuitant Payment Calculations (Fundamental Control)

As a result of EBSA's compliance testing, EBSA did not identify any instances of noncompliance with FERSA or Agency Regulations. However, as indicated above, EBSA noted internal control deficiencies related to the Agency's annuity process.

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.

² Other control recommendations address procedures or processes that are less significant than fundamental controls.