Employee Benefits Security Administration

Performance Audit over the Thrift Savings Plan Account Maintenance Process

August 19, 2026

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EXECUTIVE SUMMARY

Members of the Federal Retirement Thrift Investment Board
Washington, D.C.

Acting Chief Accountant
U.S. Department of Labor, Employee Benefits Security Administration
Washington, D.C.

As part of the U.S. Department of Labor Employee Benefits Security Administration (EBSA) Fiduciary Oversight Program, we conducted a performance audit of the Thrift Savings Plan (TSP) account maintenance process. Our fieldwork was performed remotely from February 11, 2026, through June 18, 2026, in coordination with personnel primarily from the Federal Retirement Thrift Investment Board Staff's (Agency) headquarters in Washington, D.C., including their vendor support personnel. Our scope period for testing was April 1, 2025, through March 31, 2026.

We conducted this performance audit in accordance with the performance audit standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the American Institute of Certified Public Accountants' (AICPA) *Standards for Consulting Services*. *Government Auditing Standards* require that we plan and perform the audit to obtain sufficient, appropriate audit evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives. Criteria used for this audit are defined in EBSA's *Thrift Savings Plan Fiduciary Oversight Program*, which includes Title 5 of the United States Code (USC), Chapter 84 and Title 5 of the Code of Federal Regulations (CFR), Chapter VI.

The objectives of our audit over the TSP account maintenance process were to:

- Determine if the Agency and its vendors implemented certain procedures to (1) accurately reflect in participant accounts contributions as elected by participants, daily valuation, and the fund balances; (2) process TSP contributions, rollovers, breakage, adjustments, interfund transfers, forfeitures, and forfeitures restorations promptly and accurately in individual participant accounts and in the appropriate investment fund(s); (3) monitor manual adjustments made to transactions and participant accounts; (4) accurately record account maintenance activity in the TSP accounting records; (5) monitor for and detect potential fraudulent activity associated with participant accounts; (6) investigate and resolve potential fraudulent activity identified internally and/or reported by participants; and (7) revise or augment preventative procedures when fraudulent activity or other risk factors are identified;

- Test compliance of the TSP account maintenance process with 5 USC 8432(a)(3), 8432(c)(1)(A)-(C), 8432(d), 8432(g)(1)-(3), 8438(c)(2), and 8439(d) (hereinafter referred to as FERSA); 26 USC 408A(d)(2)(B); and 5 CFR 1600.11(a)-(b), 1600.18, 1600.20, 1600.21, 1600.22, 1600.23, 1600.30(c), 1600.31, 1600.32, 1600.33(a)-(g), 1600.34(b)-(c), 1600.35(a), 1600.36(a)-(b), 1600.37, 1601.12, 1601.13(a)(1)-(5), 1601.22(a)-(b), 1601.23(a)-(b), 1601.32, 1601.33, 1601.34, 1603.2, 1603.3, 1605.2(a) and (d)-(e), 1605.3, 1605.11(b), 1605.12, 1605.13(a)(3), (b)(3), and (d), 1605.14(a)(2), (b)(4), and (g)(2), 1605.15(a)-(c), 1605.16(c), 1605.2(b)-(c), 1605.21, 1605.22(a), (b)(1), (c)(1), and (c)(3), 1605.31(d), 1620.44, 1620.46(e), 1645.2, 1650.5, 1650.11(b), 1651.3, 1651.4, 1651.19(b), (j), (m)(2), and 1651.19(m)(4) (hereinafter referred to as Agency regulations); and

- Assess the status of the prior EBSA TSP open recommendations reported in *Performance Audit of the Thrift Savings Plan Account Maintenance Process*, dated September 4, 2024.

We present four new findings and two related recommendations, all of which address fundamental controls. Fundamental control findings and recommendations address significant[1] 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 findings and recommendations address procedures or processes that are less significant than fundamental controls. These recommendations are intended to strengthen the TSP account maintenance process. The Agency should review and consider these recommendations for timely implementation. Section III.C presents the details that support the current year findings and recommendations.

Based upon the performance audit procedures conducted and the results obtained, we have met our audit objectives. We conclude that for the period of April 1, 2025, through March 31, 2026, the Agency and its vendor implemented certain procedures to (1) accurately reflect in participant accounts contributions as elected by participants, daily valuation, and the fund balances; (2) process TSP contributions, rollovers, breakage, adjustments, interfund transfers, forfeitures, and

[1] *Government Auditing Standards* section 8.15 defines significance in the context of a performance audit.

forfeitures restorations promptly and accurately in individual participant accounts and in the appropriate investment fund(s); (3) monitor manual adjustments made to transactions and participant accounts; (4) accurately record account maintenance activity in the TSP accounting records; (5) monitor for and detect potential fraudulent activity associated with participant accounts; (6) investigate and resolve potential fraudulent activity identified internally and/or reported by participants; and (7) revise or augment preventative procedures when fraudulent activity or other risk factors are identified. However, as indicated above, we noted internal control weaknesses in certain areas of the TSP account maintenance process within our audit objectives.

As a result of our compliance testing, we did not identify any instances of noncompliance with applicable provisions of FERSA; 26 USC 408A(d)(2)(B); or 5 CFR 1600.11(a)-(b), 1600.18, 1600.20, 1600.21, 1600.22, 1600.23, 1600.30(c), 1600.31, 1600.32, 1600.33(a)-(g), 1600.35(a), 1600.36(a)-(b), 1600.37, 1601.12, 1601.13(a)(1)-(5), 1601.22(a)-(b), 1601.23(a)-(b), 1601.32, 1601.33, 1601.34, 1603.2, 1603.3, 1605.2(a) and (d)-(e), 1605.3, 1605.11(b), 1605.12, 1605.13(a)(3), (b)(3), and (d), 1605.14(a)(2), (b)(4), and (g)(2), 1605.15(a)-(c), 1605.16(c), 1605.21, 1605.22(a), (b)(1), (c)(1), and (c)(3), 1605.31(d), 1620.44, 1620.46(e), 1645.2, 1650.5, 1650.11(b), 1651.3, 1651.4, 1651.19(b), (j), (m)(2), or 1651.19(m)(4). However, we did identify instances of noncompliance with certain elements of 5 CFR 1600.34(b)-(c), 1600.36(a)-(b), and 1600.37, as described in Section III.C, and potential instances of noncompliance with certain elements of 5 CFR 1605.2(b)-(c), as described in Section III.D.

We also reviewed 19 prior EBSA recommendations related to the Agency's TSP account maintenance process to determine their current status. Section III.B documents the status of the prior recommendations. In summary, 18 recommendations have been implemented and closed, and one recommendation has not been implemented but has been closed.

The Agency's response to the recommendations, including the Executive Director's formal reply, is included as Appendix A within the report. The Agency concurred with all recommendations.

This performance audit did not constitute an audit of the TSP's financial statements or an attestation engagement as defined by *Government Auditing Standards* and the AICPA standards for attestation engagements. KPMG was not engaged to, and did not, render an opinion on the Agency's internal controls over financial reporting or over financial management systems. KPMG cautions that projecting the results of this audit to future periods is subject to the risks that controls may become inadequate because of changes in conditions or because compliance with controls may deteriorate.

While we understand that this report may be used to make the results of our performance audit available to the public in accordance with *Government Auditing Standards*, this report is intended for the information and use of the U.S. Department of Labor Employee Benefits Security Administration, Members of the Federal Retirement Thrift Investment Board, and Agency management. The report is not intended to be, and should not be, used by anyone other than these specified parties.

KPMG LLP

August 19, 2026

I. BACKGROUND OF THE ACCOUNT MAINTENANCE PROCESS

A. The Thrift Savings Plan

Public Law 99-335, the Federal Employees' Retirement System Act of 1986 (FERSA), as amended, established the Thrift Savings Plan (TSP). The TSP is the basic component of the Federal Employees' Retirement System (FERS) and the Blended Retirement System (BRS), and provides a Federal (and, in certain cases, State) income tax deferral on employee contributions and related earnings. The TSP is available to Federal and Postal employees, members of the uniformed services, and members of Congress and certain Congressional employees. The TSP began accepting contributions on April 1, 1987, and as of March 31, 2026, had approximately $1.05 trillion in assets and approximately 7.3 million participants[2].

The FERSA established the Federal Retirement Thrift Investment Board (the Board) and the position of Executive Director. The Executive Director manages the TSP for its participants and beneficiaries. The Federal Retirement Thrift Investment Board's Staff (Agency) is responsible for administering TSP operations.

B. TSP System[3]

The TSP recordkeeping systems (TSP system) are a collection of applications that value accounts daily, process and record loans and withdrawals, record contributions, and process interfund transfer requests for TSP participants and beneficiaries. The Agency contracts with a vendor to provide recordkeeping services for the TSP under a recordkeeping services acquisition contract (i.e., the Converge contract). The vendor subcontracted with a commercial financial recordkeeping organization to develop and maintain the Converge core recordkeeping systems and associated support subsystems, referred to collectively as the [redacted] systems. The vendor manages and operates the Converge supporting business capabilities (i.e., customer relationship management, contact center operations, analytics, fraud, security operations, and the TSP.gov website), referred to collectively as the [redacted] systems. The primary recordkeeping system used in the account maintenance process is the [redacted] system, a [redacted] system.

2 Source: Minutes of the Federal Retirement Thrift Investment Board meeting held on April 28, 2026, posted on www.frtib.gov.

3 Source: Internally sourced system documentation.

C. Overview of the TSP Account Maintenance Process[4]

Account maintenance is the TSP process designed to process and record Federal agency, uniformed service, and participant contributions; adjustments; breakage; negative adjustments; forfeitures and forfeiture restorations; rollovers; interfund transfers and reallocations; and account combinations; and maintain participant data and the current investment balance and daily valuation in each fund by participant. This process also includes maintaining a record of employee data (e.g., name, social security number, date of birth, address, and separation code), maintaining a record of beneficiaries designated by the participant, and monitoring participant accounts for suspected fraudulent activity.

1. Processing Contributions and Maintaining Employee Data

Employer agencies automatically enroll Federal employees in the TSP. Uniformed services members employed after January 1, 2018, and covered by the BRS are automatically enrolled in the TSP after 60 days of service. Uniformed service members employed prior to January 1, 2018, with fewer than 12 years of service were eligible to opt into the BRS during calendar year 2018 and receive matching contributions.

In order to change the default contribution percentage, a participant must submit a Form TSP-1[5], *Election Form*, to their employer agency or service, or initiate default contribution changes via the payroll service provider's website. The form can be obtained from the employer agency or service, TSP website, or requested through the ThriftLine telephone service center (ThriftLine). Participants may choose between a traditional (pre-tax) TSP account or a Roth (after-tax) account and must specify the amount of contribution election as a percentage of their basic pay or a fixed amount for each payroll period. Participants have up to 90 days after the first automatic contribution is made to request a refund of such contributions. Refund requests may be completed through the TSP website, the ThriftLine, or mailed directly to the TSP using Form TSP-25, *Automatic Enrollment Refund Request*.

Payroll offices submit contribution, employee, and adjustment data to the TSP each payroll period. Most Federal agencies and uniformed services transfer amounts for submission to a clearing

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[4] Sources: *Summary of the Thrift Savings Plan*, January 2026; Agency Account Maintenance Policies; and vendor Account Maintenance Procedures.

[5] Forms used by the uniformed service members are numbered the same as for civilians except they are denoted by a "U". For example, the Form TSP-1 for the uniformed services is Form TSP-U-1.

account at the U.S. Department of the Treasury (Treasury). These amounts include contributions (net of adjustments) owed by the agencies and services to TSP participants. These amounts are then transferred to the TSP.

Payroll data is received and processed through the [redacted] following the payroll data submission by the [redacted]. The [redacted] begins validation of data received immediately upon receipt and provides a real time report of edits. Upon completion of the validation, the [redacted] generates a voucher based on payroll data submitted and successfully validated. The [redacted] reviews the voucher and either approves the [redacted] or deletes it if the file is incomplete or missing data records. The validated [redacted] provides summary data that includes the total validated records, total payment, and negative adjustments for employee and government contributions. Once the [redacted] is submitted, the data is processed in the TSP system.

During the [redacted] validation process, various edits can be performed on the submitted data. The [redacted] edit process may fully process the data or completely or partially reject data. Rejected data is captured on an error report, which contains information related to the cause of error that is available to the relevant agency or service for correction. Once the [redacted] processes the data, the TSP system is configured to post payroll contributions to the appropriate traditional or Roth account based on the account election in the payroll data.

In order to change the default investment fund[6] for future payroll contributions, participants must initiate a change via the TSP website, the ThriftLine, or direct mail to the TSP using Form TSP-50, *Investment Change Notice*. Investment fund changes will not be accepted if the participant requests a fund allocation that does not total 100%. The TSP system stores the participant's fund allocation information and applies the participant's contributions to the appropriate investment fund(s) based on their fund election.

Contribution activity is posted to the TSP system on the second business day. The contribution data posted to the TSP system interfaces into the investment management system, which generates a general ledger extract file for upload to the general ledger system. The general ledger system performs a series of edit checks on the file, and the Agency's [redacted] reviews the inputs before posting the file to the general ledger system at the investment fund level. The [redacted] reconciles all contribution transactions from the TSP system to the TSP

6 Automatic enrollment contributions are automatically invested into a Lifecycle Fund (L Fund) designated by the participant's age at time of employment.

general ledger on a daily and monthly basis by completing the Withdrawal, Loan, and Contribution reconciliation.

2. Daily Valuation

Each investment fund is valued at the end of each business day, and share prices are calculated for the purpose of processing participant account transactions and posting the value of participant balances within each participant account. Share prices are calculated in the [redacted] system, which receives inputs for shares outstanding, market earnings, Government Securities Investment Fund (G Fund) interest, and accrued expenses.

Market earnings for the Fixed Income Index Investment Fund (F Fund), Common Stock Index Investment Fund (C Fund), Small Capitalization Stock Index Investment Fund (S Fund), and International Stock Index Investment Fund (I Fund) are retrieved from the TSP Investment Managers, BlackRock Institutional Trust Company, N.A. and State Street Global Advisors Trust Company. Market earnings are equal to the change in settled market value of the investments from the prior business day, minus the proceeds of the prior day's trade. G Fund interest is calculated based on invested balances and the G Fund interest rate, which is determined on the first business day of each month by Treasury. Daily accrued expenses, net of forfeitures, are calculated by the Agency's [redacted] on the first business day of each month.

3. Breakage

Breakage represents the gain realized or loss incurred on makeup or late contributions. It is the difference between the value of the shares of the applicable investment fund(s) that would have been purchased on the "as of"[7] date and the value of those shares on the date the contributions are posted to a participant's account. Participants are entitled to breakage on makeup or late agency or service contributions, misclassifications, missed or insufficient employee contributions, erroneous contributions, back or retroactive pay settlements, or investments attributed to the incorrect fund.

Agencies and services can post their payroll data at any time based on their established pay periods. If contributions on a payroll submission are posted more than 30 business days after the "current

[7] The "as of" date is the previous pay date for which the contributions should have been posted to the participant's account and is used by payroll offices on payment records to report makeup and late contributions.

pay date" reported on the payroll data submission, the submission is considered late. The TSP system uses the record types submitted by the payroll office in their [redacted] submissions to identify breakage transactions. The TSP system automatically calculates breakage for each source of contributions by determining the number of shares of each applicable investment fund that would have been purchased had the contributions been reported on time. The TSP system then determines the dollar value of the number of shares of each applicable investment fund on the posting date. The difference between the dollar value of the contribution on the posting date compared to the dollar value on the "as of" date is the breakage. Positive breakage (i.e., gains) is charged back to the employing agency or service and negative breakage (i.e., losses) is forfeited to the TSP.

4. Negative Adjustments

Negative adjustments represent erroneous contributions that have been previously reported by a payroll office. The TSP system uses the record types submitted by the payroll office in their [redacted] submissions to identify negative adjustments. The TSP system automatically calculates negative adjustments by determining the number of shares of each applicable investment fund that the payroll office is requesting to remove from the participant's account. The TSP system then determines the dollar value of the negative adjustment by multiplying the number of shares of each applicable investment fund by the share price on the date the negative adjustment is processed. The difference between the dollar value of the erroneous contribution on the posting date compared to the dollar value of the negative adjustment results in a gain or loss. Generally, gains on erroneous contributions remain in the participant's account and losses are charged back to the employing agency or service.

5. Rollovers

Participants can rollover money from a qualified retirement plan or a traditional Individual Retirement Account (IRA)[8] into the TSP. A direct rollover occurs when the qualified retirement plan or traditional IRA sends the eligible distribution directly to the TSP, and an indirect rollover occurs when the qualified retirement plan makes a distribution to the participant who then deposits all or part of the distribution into the TSP. Rollovers may be initiated through the TSP website, the ThriftLine, or direct mailed to the TSP using form TSP-60, *Rollover Contribution Form –*

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[8] The TSP accepts transfers of Roth money from a Roth 401(k), 403(b), or 457(b) into the Roth balance of a participant's TSP account; however, the TSP does not accept rollovers from Roth IRAs.

Thrift Savings Plan[9]. The participant must also submit supporting documentation from the administrator of the qualified retirement plan or the trustee or custodian of the traditional IRA from which the eligible rollover distribution was made, along with their rollover check in order for the request to be processed. The request and check are reviewed by a processing specialist to verify that all conditions are met in order for the TSP to process the request. Once the request is approved, the TSP system allocates the rollover amount to the participant's investment fund(s) based on their fund election. Check safeguarding and processing is completed by a third-party vendor on behalf of the TSP.

6. Interfund Transfers and Reallocations

Participants can transfer or reallocate money already in their account among the TSP investment funds. An interfund transfer occurs when a participant moves a specified amount of money[10] from an investment fund to another investment fund or funds. An interfund transfer is a one-time transfer and does not change the participant's elected fund allocation. A reallocation occurs when the account balance in the participant's TSP account is redistributed among the funds based on the participant's new elected percentage of investment in each fund.

Interfund transfers and reallocations may be initiated through the TSP website or the ThriftLine. Requests will not be accepted if the participant enters an interfund transfer or reallocation amount that does not total 100%. For reallocations, requests will not be accepted if the participant enters an amount that does not zero out the balance being reallocated. Requests from participants for interfund transfers or reallocations are processed on a daily basis. Requests made before 12:00 p.m. Eastern time each business day are generally processed and posted on the same business day. Requests made after 12:00 p.m. Eastern time will be posted by the close of the next business day.

Participants can make two interfund transfers each month to redistribute money in their TSP accounts among any or all of the TSP investment funds. If more than two interfund transfers are requested in a calendar month, the interfund transfer can only move money into the G Fund. The

[9] Forms used for Roth money are numbered the same as for traditional plans except they are denoted by an "R". For example, the applicable form for Roth is Form TSP-60-R.

[10] Interfund transfers can be processed using a dollar amount or percentage as specified by the participant.

TSP system prevents interfund transfers from being allocated to any funds other than the G Fund starting with the third interfund transfer in a calendar month.

7. Account Combinations

Participants who have been employed in both a civilian and uniformed services capacity may have two separate TSP accounts. When a participant separates from service in one of the two capacities, they have the option to combine their separate TSP accounts into one account. Account combinations may be initiated via the TSP website, the ThriftLine, or direct mail to the TSP using form TSP-65, *Request to Combine TSP Accounts*. If a participant separates from one service, the account combination can only be performed by combining the separated service account (i.e., closing account) into the active service account (i.e., gaining account). If a participant separates from both civilian and uniformed service, they may choose which account will close. Tax exempt contributions in uniformed services accounts (i.e., contributions from combat zone pay) may not be transferred into a civilian account, and Roth and traditional balances cannot be combined. Contributions from the closing account are allocated into the gaining account in accordance with the gaining account's investment fund allocation.

8. Forfeitures

TSP accounts that are comprised of a participant's employee and agency matching contributions, including the related earnings, are always vested. In order to become vested in agency automatic contributions and related earnings, a participant must complete three years of Federal civilian service (or two years for certain political or Congressional appointments or uniformed services members). TSP participants who separate[11] from Federal service before satisfying the vesting requirements will forfeit the agency automatic contributions and related earnings. If a participant dies in service prior to satisfying the vesting requirements, the agency automatic contributions and related earnings become automatically vested. Forfeitures may also occur when a participant's vested balance is less than $5 or when a participant is inaccurately identified under FERS rather than Civil Service Retirement Services (CSRS), as these agency contributions are considered erroneous contributions.

Employment codes and separation dates are transmitted to the TSP system by the responsible payroll office. To process forfeitures, the TSP system identifies participants with an [redacted]

[11] Separation is defined as leaving Federal employment for 60 or more consecutive calendar days.

[redacted], indicating a separation. The TSP system then calculates time between the participant's separation date and service computation date to determine the period of service and compares the result to the required vesting period. If the period of service is less than required for vesting, the agency automatic contributions and related earnings are forfeited and removed from the separated participant's account.

9. Forfeiture Restorations

If contributions are forfeited erroneously as a result of incorrect employment information (such as separation code or date) submitted by a participant's employing agency or payroll office or as a result of administrative errors (such as data entry errors), they are restored. The Federal agency payroll or personnel office must submit a corrected data record and Form TSP-5-R, *Request to Restore Forfeiture*, to request and authorize a forfeiture restoral. Once received, the TSP processing specialist reviews the form and corrected data record for completeness and verifies that a forfeiture was processed in the participant's account before approving the restoral. Once approved, the TSP system restores the participant's forfeited agency automatic contributions and related earnings and records gains or losses that were not previously recognized on the erroneously forfeited contributions.

10. Beneficiary Designation

Participants may designate a beneficiary or beneficiaries to receive funds held in a TSP account upon their death. Beneficiary designations may be initiated through the TSP website, the ThriftLine, or direct mailed to the TSP using Form TSP-3, *Designation of Beneficiary*. The participant provides information such as the full name, share percentage, relationship status, date of birth, and social security number (or tax identification number) for each designated beneficiary. Beneficiary designation requests must be signed or submitted by the participant and witnessed by an individual who is at least 21 years of age and not named as a beneficiary on the related TSP account. Manually-submitted beneficiary designation requests are reviewed by a TSP processing specialist to verify that all conditions are met in order for the TSP to process the request. Electronic submissions are subjected to TSP system edit checks to validate that all conditions are met. Once the request is approved by the specialist or passes the system edit checks, the beneficiary designation is processed in the TSP system.

11. Manual Adjustments

Manual adjustments to participant accounts may be initiated upon notification of an error from the participant, beneficiary, or TSP recordkeeper. Manual adjustments may include non-financial corrections, such as name or social security number changes, or financial corrections, such as correcting funds that were incorrectly or inaccurately placed in a participant's account. Once processed in the TSP system, manual adjustments are posted directly to the TSP general ledger along with daily contribution activity and are included in the daily transaction activity summary reconciliation.

12. Fraudulent Activity Monitoring

[redacted]

[redacted]

D. TSP Account Maintenance Statistics

Exhibit I-1 presents the total and Roth average account balances maintained by the TSP as of March 31, 2026, for Beneficiary, BRS, CSRS, FERS, and Uniformed Services participants[2].

Exhibit I-1

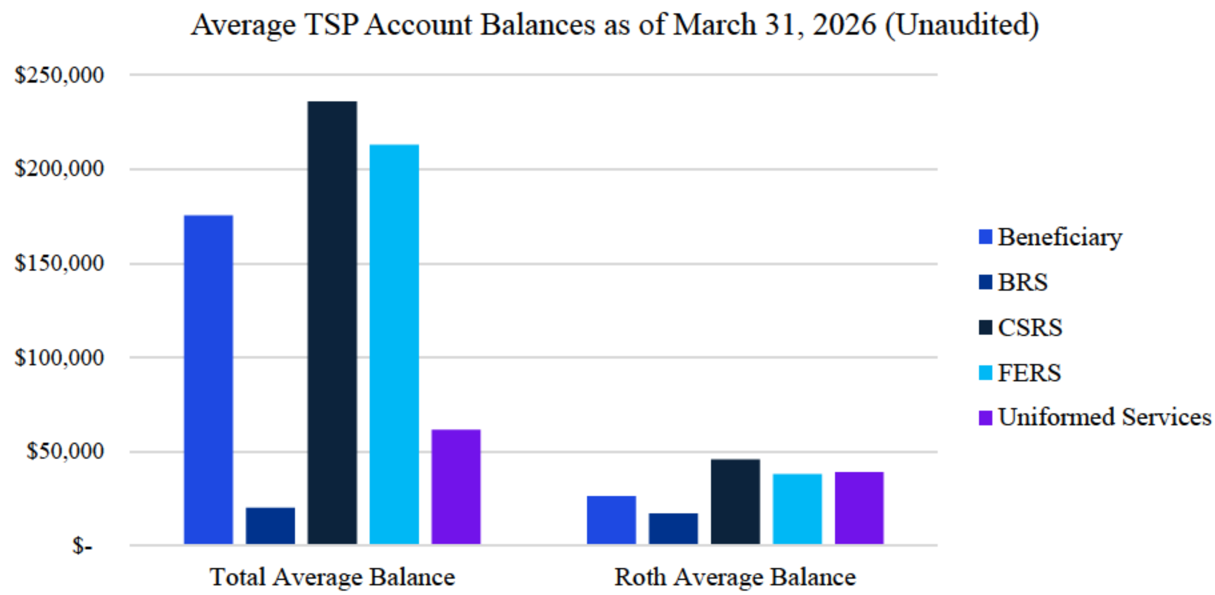
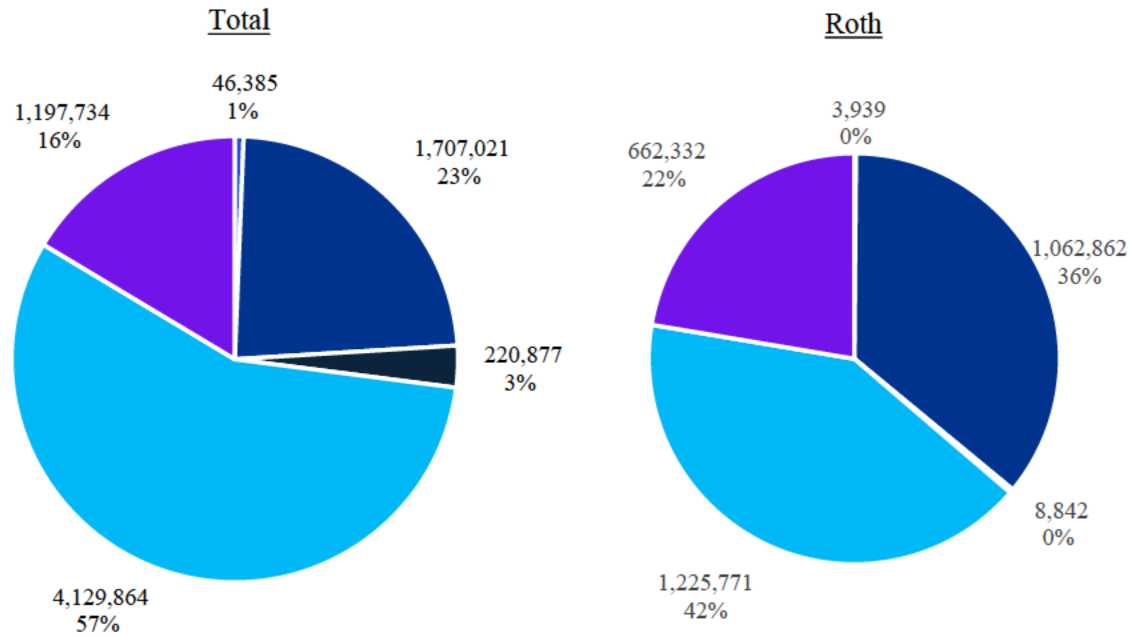


Exhibit I-2 presents the allocation of total and Roth accounts, by account type, as of March 31, 2026[2].

Exhibit I-2

Number of TSP Accounts by Type as of March 31, 2026 (Unaudited)



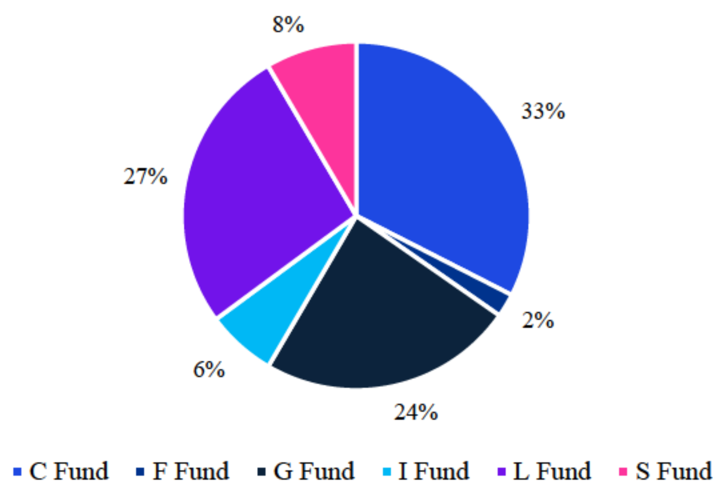
▪ Beneficiary ▪ BRS ▪ CSRS ▪ FERS ▪ Uniformed Services

Note: Beneficiary and CSRS Roth accounts total 3,939 and 8,842, respectively, which are less than 1% of accounts individually and in the aggregate. As such, they are excluded from this exhibit.

Exhibit I-3 presents the allocation of TSP investments, by investment fund, as of March 31, 2026[2].

Exhibit I-3

TSP Investments by Fund as of March 31, 2026 (Unaudited)



II. OBJECTIVES, SCOPE, AND METHODOLOGY

A. Objectives

The U.S. Department of Labor Employee Benefits Security Administration (EBSA) engaged KPMG LLP to conduct a performance audit over the Thrift Savings Plan (TSP) account maintenance process.

The objectives of our audit over the TSP account maintenance process were to:

- Determine if the Agency and its vendors implemented certain procedures to (1) accurately reflect in participant accounts contributions as elected by participants, daily valuation, and the fund balances; (2) process TSP contributions, rollovers, breakage, adjustments, interfund transfers, forfeitures, and forfeitures restorations promptly and accurately in individual participant accounts and in the appropriate investment fund(s); (3) monitor manual adjustments made to transactions and participant accounts; (4) accurately record account maintenance activity in the TSP accounting records; (5) monitor for and detect potential fraudulent activity associated with participant accounts; (6) investigate and resolve potential fraudulent activity identified internally and/or reported by participants; and (7) revise or augment preventative procedures when fraudulent activity or other risk factors are identified;

- Test compliance of the Agency's operations with Title 5 of the United States Code (USC), Sections 8432(a)(3), 8432(c)(1)(A)-(C), 8432(d), 8432(g)(1)-(3), 8438(c)(2), and 8439(d) (hereinafter referred to as FERSA); 26 USC 408A(d)(2)(B); and Title 5 of the Code of Federal Regulations (CFR), Sections 1600.11(a)-(b), 1600.18, 1600.20, 1600.21, 1600.22, 1600.23, 1600.30(c), 1600.31, 1600.32, 1600.33(a)-(g), 1600.34(b)-(c), 1600.35(a), 1600.36(a)-(b), 1600.37, 1601.12, 1601.13(a)(1)-(5), 1601.22(a)-(b), 1601.23(a)-(b), 1601.32, 1601.33, 1601.34, 1603.2, 1603.3, 1605.2(a) and (d)-(e), 1605.3, 1605.11(b), 1605.12, 1605.13(a)(3), (b)(3), and (d), 1605.14(a)(2), (b)(4), and (g)(2), 1605.15(a)-(c), 1605.16(c), 1605.2(b)-(c), 1605.21, 1605.22(a), (b)(1), (c)(1), and (c)(3), 1605.31(d), 1620.44, 1620.46(e), 1645.2, 1650.5, 1650.11(b), 1651.3, 1651.4, 1651.19(b), (j), (m)(2), and 1651.19(m)(4) (hereinafter referred to as Agency regulations); and

- Assess the status of the prior EBSA TSP open recommendations reported in *Performance Audit of the Thrift Savings Plan Account Maintenance Process*, dated September 4, 2024.

B. Scope and Methodology

We conducted this performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and the American Institute of Certified Public Accountants' *Standards for Consulting Services*, using EBSA's *Thrift Savings Plan Fiduciary Oversight Program*. Our scope period for testing was April 1, 2025, through March 31, 2026. We performed the audit in four phases: (1) planning, (2) arranging for engagement with the Agency, (3) testing and interviewing, and (4) report writing.

During the planning phase, team members developed a collective understanding of the activities and controls associated with the applications, processes, and personnel involved with the TSP account maintenance process. Arranging the engagement included contacting the Agency and agreeing on the timing of detailed testing procedures.

During the testing and interviewing phase, we conducted interviews, collected and inspected auditee-provided documentation and evidence, participated in process walk-throughs, and designed and performed tests of controls[12]. Our performance audit procedures included using random attribute sampling to select samples from the following populations related to the TSP account maintenance for the period April 1, 2025, through March 31, 2026, which we used to determine if the TSP complied with FERSA, 26 USC 408A(d)(2)(B), and Agency regulations as it relates to account maintenance:

- Participants with newly established accounts
- Participants who actively contributed to the TSP
- Participants who separated from service
- Participants who requested an automatic enrollment refund
- Participants who submitted a catch-up contribution
- Participants who designated a beneficiary
- Participants who rolled over contributions to the TSP
- Participants who reallocated investments among TSP funds
- Participants who transferred investments within TSP funds
- Participants who transferred investments within TSP funds three or more times in a month

[12] We tested certain IT application controls in the Converge system related to the account maintenance process. The scope of our audit did not include the testing of general IT controls that support the consistent and effective functioning of those IT application controls by maintaining the continued proper operation of the Converge system.

- Participants who combined their civilian and uniformed services accounts
- Participants with breakage on late or makeup contributions
- Participants with a negative adjustment to contributions
- Participants with a non-statutory forfeiture
- Participants with a statutory forfeiture
- Participants with a restored forfeiture
- [redacted]
- [redacted]
- Manual adjustments in the TSP system
- Transactions with potentially fraudulent activity
- [redacted] submitted by payroll offices that included an error when processed

We conducted these test procedures remotely in coordination with personnel primarily from the Agency's headquarters in Washington, D.C. Appendix B lists the key documentation and reports we reviewed during our performance audit. Because we used non-statistically determined sample sizes in our procedures, our results are applicable to the sample items we tested and were not extrapolated to the population.

Criteria used for this audit are defined in the EBSA's *Thrift Savings Plan Fiduciary Oversight Program*, which includes Title 5 of the United States Code, Chapter 84 and Title 5 of the Code of Federal Regulations, Chapter VI.

The report writing phase entailed drafting a preliminary report, conducting an exit conference, providing a formal draft report to the Agency for comment, and preparing and issuing the final report.

III. FINDINGS AND RECOMMENDATIONS

A. Introduction

We performed procedures related to the Thrift Savings Plan (TSP) Account Maintenance process while remotely conducting a performance audit related to activities at the Federal Retirement Thrift Investment Board's Staff (Agency). Our scope period for testing was April 1, 2025, through March 31, 2026. This performance audit consisted of reviewing applicable policies and procedures and testing manual and automated processes and controls, which included interviewing key personnel, reviewing key reports and documentation (Appendix B), and observing selected procedures.

Based upon the performance audit procedures conducted and the results obtained, we have met our audit objectives. We conclude that for the period of April 1, 2025, through March 31, 2026, the Agency and its vendor implemented certain procedures to (1) accurately reflect in participant accounts contributions as elected by participants, daily valuation, and the fund balances; (2) process TSP contributions, rollovers, breakage, adjustments, interfund transfers, forfeitures, and forfeitures restorations promptly and accurately in individual participant accounts and in the appropriate investment fund(s); (3) monitor manual adjustments made to transactions and participant accounts; (4) accurately record account maintenance activity in the TSP accounting records; (5) monitor for and detect potential fraudulent activity associated with participant accounts; (6) investigate and resolve potential fraudulent activity identified internally and/or reported by participants; and (7) revise or augment preventative procedures when fraudulent activity or other risk factors are identified. However, we noted internal control weaknesses in certain areas of the TSP account maintenance process within our audit objectives.

As a result of our compliance testing, we did not identify any instances of noncompliance with Title 5 of the United States Code (USC), Sections 8432(a)(3), 8432(c)(1)(A)-(C), 8432(d), 8432(g)(1)-(3), 8438(c)(2), or 8439(d); 26 USC 408A(d)(2)(B); or Title 5 of the Code of Federal Regulations (CFR), Parts 1600.11(a)-(b), 1600.18, 1600.20, 1600.21, 1600.22, 1600.23, 1600.30(c), 1600.31, 1600.32, 1600.33(a)-(g), 1600.35(a), 1600.36(a)-(b), 1600.37, 1601.12, 1601.13(a)(1)-(5), 1601.22(a)-(b), 1601.23(a)-(b), 1601.32, 1601.33, 1601.34, 1603.2, 1603.3, 1605.2(a) and (d)-(e), 1605.3, 1605.11(b), 1605.12, 1605.13(a)(3), (b)(3), and (d), 1605.14(a)(2), (b)(4), and (g)(2), 1605.15(a)-(c), 1605.16(c), 1605.21, 1605.22(a), (b)(1), (c)(1), and (c)(3), 1605.31(d), 1620.44, 1620.46(e), 1645.2, 1650.5, 1650.11(b), 1651.3, 1651.4, 1651.19(b), (j), (m)(2), or 1651.19(m)(4). However, we did identify instances of noncompliance with certain elements of 5 CFR 1600.34(b)-(c), 1600.36(a)-(b), and 1600.37, as described in Section III.C, and potential instances of noncompliance with certain elements of 5 CFR 1605.2(b)-(c) as described in Section III.D.

We present four new findings and two related recommendations, outlined in Section III.C, related to the TSP account maintenance process, all of which address fundamental controls. Fundamental control findings and recommendations address significant[13] 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 findings and recommendations address procedures or processes that are less significant than fundamental controls. These recommendations are intended to strengthen the TSP account maintenance process. The Agency should review and consider these recommendations for timely implementation. The Agency's response to these recommendations is included in Appendix A within this report.

We also reviewed 19 prior U.S. Department of Labor Employee Benefits Security Administration (EBSA) recommendations related to the Agency's TSP account maintenance process to determine their current status. Section III.B documents the status of the prior recommendations. In summary, 18 recommendations have been implemented and closed, and one recommendation has not been implemented but has been closed.

Section III.C presents the findings and recommendations from this performance audit and Section III.D communicates other observations relevant to our audit objectives. Section III.E summarizes the open recommendations.

B. Findings and Recommendations from Prior Reports

The EBSA findings and recommendations from prior reports that required follow-up are presented in this section. The prior EBSA findings and recommendations considered significant within the context of the audit objectives of this performance audit were reported in the 2024 *Performance Audit of the Thrift Savings Plan Account Maintenance Process*, dated September 4, 2024. The discussion below includes the current status of the recommendations.

[13] *Government Auditing Standards* section 8.15 defines significance in the context of a performance audit.

2024 Account Maintenance Recommendation Nos. 1, 2, and 3

Title:	Deficiencies Related to Manual Adjustment Review Controls

Reason for Recommendations:

The Agency and its vendor did not have sufficient controls in place over the process to manually adjust participant accounts. Specifically, we identified the following:

- No preventive or detective control was in place specific to the review of manual adjustments to determine if they were processed in accordance with applicable policies and procedures;
- Appropriate controls were not implemented in the TSP system related to manual adjustments to support proper segregation of duties. Specifically, the user roles in the TSP system were not configured to restrict users outside of those assigned to process manual adjustments from processing manual adjustments; and
- [redacted] manual adjustments made during the period of January 1, 2023, through February 29, 2024, the transaction was processed more than 30 days (specifically, between 33 and 347 days) after the adjustment was requested or recognized by the Agency's vendor for processing.

Original Recommendation:

1. The Agency should require its vendor to design and implement controls to include a review of manual adjustments to participant accounts.

Status:

Implemented.
We inspected the vendor's [redacted] SOP and noted that a preventive control was put in place to review more complex manual adjustments prior to posting the adjustment. Additionally, during our current year dual-purpose compliance and control testwork [redacted] manual adjustments, we did not note any exceptions related to the review and approval of manual adjustments prior to processing. As such, we did not note any instances in our current year testwork where the preventive control was not in place or not operating effectively.

Disposition: **Recommendation Closed.**

Original Recommendation: 2. The Agency should require its vendor to design and implement segregation of duties controls to limit the ability to process manual adjustments to only those who have been assigned to process manual adjustments.

Status: **Not Implemented.**

During our evaluation of the Agency's control environment in the current year, we did not note any exceptions related to the segregation of duties within the TSP system and determined the related aspect of the recommendation to be closed. However, we identified that the role granted to users to process manual adjustments is not limited to only those who have been trained to process manual adjustments. As a result, we issued a current year finding to reflect the current environment that the role granted to users to process manual adjustments is not limited to only those who have been trained (see 2026 Account Maintenance Recommendation No. 02 in Section III.C).

Disposition: **Recommendation Closed.**

Original Recommendation: 3. The Agency should require its vendor to enhance existing policies and procedures to include a timeline for review of manual adjustment requests in accordance with applicable regulations.

Status: **Implemented.**

We inspected the vendor's [redacted] SOP and noted that manual adjustments policies and procedures were enhanced to include the expectation that adjustments are completed within 30 days of the receipt of all required information to complete the adjustment. Additionally, during our current year dual-purpose compliance and control testwork [redacted] manual adjustments, we did not note any exceptions related to the timeliness of manual adjustments processing. As such, we did not note any instances in our current year testwork where the adjustment was not processed in accordance with the expected timeline.

Disposition: **Recommendation Closed.**

2024 Account Maintenance Recommendation No. 4

Title:	Deficiencies in Automatic Enrollment Refund Processing
Original Recommendation:	The Agency should require its vendor to modify the system configuration for automatic enrollment refunds to include the full amount of eligible contributions, including applicable gains, and exclude ineligible refund requests.
Reason for Recommendation:	The Agency and its vendor did not have sufficient controls in place to properly review and process automatic enrollment refunds in accordance with applicable regulations. Specifically, during our compliance testwork [redacted] automatic enrollment refunds during the period of January 1, 2023, to February 29, 2024, we identified the following: • [redacted], the full automatic enrollment contribution, including applicable gains, was not refunded to the participant; and • [redacted], the participant was refunded contributions that were ineligible for refund as they were not default contributions.
Status:	**Implemented.** During our current year compliance testwork [redacted] automatic enrollment refunds during the period of April 1, 2025, to March 31, 2026, we noted no instances of participants receiving refunded contributions that were ineligible for refund and no instances of refunds excluding the full amount of applicable gains on automatic enrollment contributions. Additionally, we inspected closure package 2024-04 and noted revisions were made to the system configuration to address the prior year deficiencies. As such, we did not note any instances in our current year testwork where automatic enrollment refunds were not properly reviewed and processed.
Disposition:	**Recommendation Closed.**

2024 Account Maintenance Recommendation No. 5

Title:	Deficiencies in Processing Breakage for Late Contributions
Original Recommendation:	The Agency should require its vendor to modify the system configuration for the breakage calculation to exclude late contributions of less than $1.00.
Reason for Recommendation:	The Agency and its vendor did not have sufficient controls in place over the calculation of breakage related to late contributions. Specifically, during our compliance testwork [redacted] breakage transactions during the period of January 1, 2023, to February 29, 2024, we identified [redacted] where breakage was calculated on a late payment record that totaled less than $1.00.
Status:	**Implemented.** During our current year compliance testwork [redacted] breakage transactions that occurred during the period of April 1, 2025, to March 31, 2026, we did not note any exceptions related to calculating breakage on contributions less than one dollar. In the prior audit, we identified [redacted] not in compliance; however, 5 CFR 1605.2(a)(1) has been revised to allow these calculations under one dollar. As such, we did not note any instances in our current year testwork of noncompliance with 5 CFR 1605.2(a)(1).
Disposition:	**Recommendation Closed.**

2024 Account Maintenance Recommendation Nos. 6, 7, and 8

Title:	Deficiencies in Uniformed and Civilian Account Combination Review
Reason for Recommendations:	The Agency and its vendor did not have sufficient controls in place to properly review participant requests for account combinations. Specifically, during our compliance testwork [redacted] uniformed-civilian account combinations processed during the period of January 1, 2023, through February 29, 2024, we identified the following exceptions:

- [redacted] ([redacted] prior and [redacted] subsequent to September 28, 2023) related to participants with account contributions in multiple funds, the funds were moved to the gaining account using the closing account elections, rather than in accordance with the elections in the gaining account; and
- [redacted], the participant's spouse did not provide spousal consent for the combination.

Original Recommendation: 6. The Agency should require its vendor to verify that the system configuration implemented in the TSP system combines accounts with multiple funds using the elections in the gaining account.

Status: **Implemented.**
During our current year dual-purpose compliance and control testwork [redacted] account combinations during the period of April 1, 2025, to March 31, 2026, we did not note any exceptions. For all sample items, the transferred amount was correctly posted to funds in the gaining account using the gaining account elections. As such, we did not note any instances in our current year testwork where the account combination control was functioning in an ineffective manner.

Disposition: **Recommendation Closed.**

Original Recommendation: 7. The Agency should require its vendor to complete remediation of participant account combinations impacted by the incorrect system configuration that existed prior to September 28, 2023, and remediate inaccurate account combinations processed on and subsequent to September 28, 2023.

Status: **Implemented.**
During our current year dual-purpose compliance and control testwork [redacted] account combinations during the period of April 1, 2025, to March 31, 2026, we did not note any exceptions. For all sample items, the transferred amount was correctly posted to funds in the gaining account using the gaining account elections. As such, we did not note any instances

in our current year testwork where the account combination control was functioning in an ineffective manner. Additionally, we inspected the Agency and vendor's closure package and noted that samples were provided to evidence that inaccurate account combinations which occurred during the time periods noted in the recommendation were remediated.

Disposition: **Recommendation Closed.**

Original Recommendation: 8. The Agency should require its vendor to periodically reinforce applicable regulations, policies, and standard operating procedures with personnel assigned to review and approve account combination requests.

Status: **Implemented.**
During our current year dual-purpose compliance and control testwork [redacted] account combinations during the period of April 1, 2025, to March 31, 2026, we did not note any exceptions or instances where the participant's spouse did not provide the necessary consent. As such, we did not note any instances in our current year testwork where the account combination control was functioning in an ineffective manner.

Disposition: **Recommendation Closed.**

2024 Account Maintenance Recommendation No. 9

Title: Deficiencies Related to Processing of Forfeiture Restorals

Original Recommendation: The Agency should require its vendor to design and implement monitoring controls to support the effective and timely functioning of the forfeiture restoral review control.

Reason for Recommendation: The Agency and its vendor did not have sufficient controls in place over the review and timely processing of forfeiture restorals. Specifically, during our control and compliance testwork [redacted] forfeiture restorals processed during our scope period, we identified the following exceptions:

- [redacted], the forfeiture was restored more than 24 hours after receipt when requested by the payroll agency (specifically, between 2 and 117 days);
- [redacted], the abandoned account was restored more than 72 hours after receipt when requested by the participant (specifically, between 4 and 33 days);
- [redacted], the form requesting the forfeiture restoral (TSP-5-R) submitted by the payroll agency was incomplete;
- For one sample item, the reviewer did not confirm that the error was corrected in the TSP system prior to processing the forfeiture restoral; and
- [redacted], the previously abandoned funds were not restored to the appropriate investment fund.

Status: **Implemented.**
During our current year dual-purpose compliance and control testwork [redacted] forfeiture restorals during the period of April 1, 2025, to March 31, 2026, we did not note any exceptions. Additionally, during our current year control testwork [redacted] of the vendor's forfeiture restoral monitoring control, which was implemented in response to the above recommendation, we did not note any exceptions. As such, we did not note any instances in our current year testwork where the forfeiture restoral review control was functioning in an ineffective or untimely manner.

Disposition: **Recommendation Closed.**

2024 Account Maintenance Recommendation Nos. 10, 11, and 12

Title: Deficiencies Related to Processing of Rollovers

Reason for Recommendations: The Agency and its vendor did not have sufficient controls in place over the review and timely processing of rollovers. Specifically, during our control and compliance testwork [redacted] rollovers during the period of January 1, 2023, through February 29, 2024, we identified the following exceptions:

- [redacted], supporting documentation from the financial institution was not sufficient to reasonably conclude that the funds were tax-deferred and/or eligible for rollover;
- [redacted], supporting documentation from the financial institution was not sufficient to reasonably conclude that the funds were eligible for Roth rollover and to document the start date of the participant's 5-year non-exclusion period;
- [redacted], the participant's rollover request listed a distributing financial institution that did not agree to the financial institution listed on the check and/or supporting documentation;
- [redacted], the participant's rollover request was processed more than 48 business hours after the participant submitted all required documentation (specifically, between 4 and 14 business days);
- [redacted], the rollover amount was not allocated between the tax-deferred and Roth rollover sources in accordance with the participant's request; and
- [redacted], the participant's indirect rollover check was addressed to the participant but not endorsed to the TSP.

Original Recommendation: 10. The Agency should require its vendor to design and implement controls to include a review of supporting documentation from the financial institution to determine if the funds requested for rollover are tax-deferred and/or eligible for rollover.

Status: **Implemented.**

During our current year dual-purpose compliance and control testwork [redacted] rollover requests during the period of April 1, 2025, to March 31, 2026, we noted no instances of samples not having sufficient supporting documentation from the financial institution to reasonably conclude if the funds were eligible for rollover. Additionally, we inspected closure package 2024-10 and noted that revisions were made to the [redacted] SOP, and decision trees were created to assist rollover processors with determining whether the supporting documentation sufficiently demonstrates the rollover is an eligible rollover. As such, we did not note any instances in our current year testwork where the rollover request review control was functioning in an ineffective manner.

Disposition: **Recommendation Closed.**

Original Recommendation: 11. The Agency should require its vendor to update existing procedures to require confirmation from the financial institution of the start date of the participant's Roth 5-year non-exclusion period to support compliance with 26 USC 408A(d)(2).

Status: **Implemented.**

During our current year dual-purpose compliance and control testwork [redacted] rollover requests during the period of April 1, 2025, to March 31, 2026, we did not note any exceptions. For all Roth rollovers tested, there was proper supporting documentation from the financial institutions for these transactions and therefore no exceptions noted. Additionally, we reviewed the closure package for recommendation 2024-11 and noted that the [redacted] SOP was updated to note that documentation indicating the 5-year non-exclusion period is required in order for the rollover to be processed. As such, we did not note any instances in our current year testwork where the rollover request review control was functioning in an ineffective manner.

Disposition: **Recommendation Closed.**

Original Recommendation: 12. The Agency should require its vendor to periodically reinforce applicable regulations, policies, and standard operating procedures to personnel assigned to review and approve rollover requests.

Status: **Implemented.**

During our current year dual-purpose compliance and control testwork [redacted] rollover requests during the period of April 1, 2025, to March 31, 2026, we did not note any exceptions. Additionally, we inspected the closure package for recommendation 2024-12 and noted that annual training on the [redacted] SOP is now provided to team members responsible for processing rollovers. As such, we did not note any instances in our current year testwork where the rollover request review control was functioning in an ineffective or untimely manner.

Disposition: **Recommendation Closed.**

2024 Account Maintenance Recommendation Nos. 13 and 14

Title: Deficiencies Related to Beneficiary Designation Requests

Reason for Recommendations: The Agency's vendor did not have sufficient controls in place to properly review beneficiary designation requests prior to processing. Specifically, the Agency and its vendor did not document within its policies or standard operating procedures for beneficiary designation requests that the electronic submission of a request by the participant constitutes a valid signature and date timestamp. Additionally, in [redacted] beneficiary designations submitted during the scope period of January 1, 2023, through February 29, 2024, we identified the following exceptions:

- [redacted], the participant requesting the designation signed the beneficiary designation request as the witness; and
- [redacted], the beneficiary identified on the designation also signed the request as the witness.

Original Recommendation: 13. The Agency should require its vendor to augment existing policies or standard operating procedures to clarify what forms of participant signature and date timestamp can be accepted within the beneficiary designation request process.

Status: **Implemented.**

We inspected the closure package provided for recommendation 2024-13 and noted that the [redacted] documents in detail that the electronic submission of a request by the participant constitutes a valid signature and date timestamp.

Disposition: **Recommendation Closed.**

Original Recommendation: 14. The Agency should require its vendor to periodically reinforce applicable regulations, policies, and standard operating procedures to personnel assigned to review and approve beneficiary designation requests.

Status: **Implemented.**

During our current year compliance testwork [redacted] beneficiary designation requests during the period of April 1, 2025, to March 31, 2026, we did not note any exceptions. As such, we did not note any instances in our current year testwork where the beneficiary designation control was functioning in an ineffective or noncompliant manner.

Disposition: **Recommendation Closed.**

2024 Account Maintenance Recommendation No. 15

Title: Insufficient Documentation for New Participant Contributions

Original Recommendation: The Agency should require its vendor to document the process for retaining notifications to participants of their automatic enrollment.

Reason for Recommendation: The Agency and its vendor's controls over new participant TSP contributions did not operate effectively throughout the scope period. Specifically, during our compliance testwork [redacted] participants who began initial contributions to the TSP during this timeframe, the Agency and its vendor did not provide documentation [redacted] that the participant was notified of their automatic enrollment.

Status: **Implemented.**

During our current year compliance testwork [redacted] participants who were automatically enrolled in the TSP from April 1, 2025, through March 31, 2026, we did not note any instances where the Agency and its vendor did not retain a notification of automatic enrollment sent to a participant. Additionally, we inspected the closure package provided for recommendation 2024-15 and noted that the process for retaining system generated notifications and the monitoring of this process is documented in the [redacted] Standard Operating Procedure.

Disposition: **Recommendation Closed.**

2024 Account Maintenance Recommendation No. 16

Title: [redacted]

Original Recommendation: [redacted]

Reason for Recommendation: [redacted]

Status: **Implemented.**

[redacted]

[redacted]

Disposition: **Recommendation Closed.**

2024 Account Maintenance Recommendation No. 17

Title: Insufficient Documentation for Interfund Transfers

Original Recommendation: The Agency should require its vendor to document the process for retaining relevant documentation for interfund transfer confirmations.

Reason for Recommendation: The Agency and its vendor did not have sufficient controls in place to consistently maintain documentation related to completed interfund transfers. Specifically, during our compliance testwork [redacted] pooled fund transfers and [redacted] reallocations during the period of January 1, 2023, through February 29, 2024, we identified [redacted] for which the Agency and its vendor did not provide documentation that the completed interfund transfer was confirmed to the participant.

Status: **Implemented.**
During our current year audit procedures, we updated our understanding of the purpose of the confirmation notification, as well as observed other locations in the system where the participant can obtain information on an interfund transfer transaction, during the interfund transfers walkthrough. We noted that participants have access to information regarding interfund transfers via their online account that is more detailed than the information provided via the confirmation notification. We also noted that the confirmation is not a required communication per the CFR and will not be transmitted if the participant does not have a valid email address. As such, we determined that participants have access via their online account to confirm interfund transfer transactions and that a confirmation notification is not a key element of the interfund transfers process.

Disposition: **Recommendation Closed.**

2024 Account Maintenance Recommendation Nos. 18 and 19

Title:	Deficiencies over Timely Forfeiture Processing
Reason for Recommendations:	The Agency and its vendor did not have sufficient controls in place over the timely processing of forfeitures. Specifically, during our compliance testwork [redacted] statutory forfeitures and [redacted] other forfeitures processed during our scope period, we identified the following exceptions: • [redacted] other forfeitures, all of which were de minimis forfeitures, the transaction was processed more than 60 calendar days after the date that the participant separated from service (specifically, between 62 and 760 days); • [redacted] statutory forfeitures, the transaction was processed more than 60 calendar days after the date that the participant separated from service (specifically, between 65 and 398 days); and • [redacted] other forfeiture classified as a Civil Service Retirement System (CSRS) forfeiture, the transaction was processed more than 24 hours after the date that the request was received (specifically, 3 days).
Original Recommendation:	18. The Agency should require its vendor to revise its forfeiture processing standard operating procedures and/or forfeiture processing system configuration so that required timelines are consistent between them.
Status:	**Implemented.** During our current year compliance testwork [redacted] statutory forfeitures and [redacted] other forfeitures during the period of April 1, 2025, to March 31, 2026, we did not note any exceptions. Additionally, we inspected the vendor's [redacted] requirement documentation and noted that the document was revised to accurately reflect the processing timeline that is configured in the system for both statutory and de minimis forfeitures, respectively.
Disposition:	**Recommendation Closed.**

Original Recommendation:	19. The Agency should require its vendor to design and implement monitoring controls to support the timely processing of CSRS forfeitures.
Status:	**Implemented.** During our current year compliance testwork [redacted] other forfeitures during the period of April 1, 2025, to March 31, 2026, we did not note any exceptions related to CSRS forfeitures. Additionally, during our current-year control testwork [redacted] of the vendor's CSRS forfeiture monitoring control, which was implemented in response to the above recommendation, we did not note any exceptions. As such, we did not note any instances in our current year testwork where CSRS forfeitures were not processed timely.
Disposition:	**Recommendation Closed.**

C. 2026 Findings and Recommendations

While conducting our performance audit over the TSP account maintenance process, we identified four new findings and developed two related recommendations. EBSA requests appropriate and timely action for the recommendations.

FUNDAMENTAL CONTROL FINDINGS AND RECOMMENDATIONS

2026-01: Deficiency in Automatic Enrollment Notice

The Agency and its vendor did not have sufficient controls in place over the processing of participants who were automatically enrolled in the TSP. Specifically, during our compliance testwork [redacted] participants who were automatically enrolled in the TSP during the period of April 1, 2025, to March 31, 2026, we identified [redacted] for which a notice of automatic enrollment was not sent to the participant.

The deficiency occurred because the Agency and its vendor did not configure the TSP system to generate a notice if the participant's automatic enrollment status was future dated at the time of receipt.

5 CFR Part 1600 Section 37 states:

> The TSP record keeper shall furnish all new employees and all rehired employees covered by the automatic enrollment program, and all employees described in paragraph (c) of § 1600.34, covered by the automatic enrollment program a notice that accurately describes:
>
> (a) That default employee contributions equal to 5 percent of the employee's basic pay will be deducted from the employee's pay and contributed to the employee's traditional TSP balance on the employee's behalf if the employee does not make an affirmative contribution election;
>
> (b) The employee's right to elect to not have default employee contributions made to the TSP on the employee's behalf, to elect to have a different percentage or amount of basic pay contributed to the TSP, or to make Roth contributions;
>
> (c) The TSP core fund in which the default employee and agency contributions will be invested unless the employee makes an investment election;
>
> (d) The employee's ability (or inability) to request a refund of any default employee contributions (adjusted for allocable gains and losses) and the procedure to request such a refund; and
>
> (e) That an investment in any fund other than the G Fund is made at the employee's risk, that the employee is not protected by the United States Government or the Board against any loss on the investment, and that neither the United States Government nor the Board guarantees any return on the investment.

[redacted]

[redacted]

- [redacted]

The United States Government Accountability Office's (GAO), *Standards for Internal Control in the Federal Government*, dated May 2025, states:

> **10.04**: Compliance-related control activities - Management designs control activities to achieve compliance with applicable laws and regulations and to respond when noncompliance is identified. Compliance objectives may include protecting confidential information, including privacy and sensitive information; retaining communications; and completing various reporting requirements.
>
> **10.06**: Management designs information technology control activities to support the operation and security of the entity's information technology and automated business processes. Information technology control activities consist of general, application, and user control activities.

1. **The Agency should require its vendor to update existing procedures to include a review of automatic enrollment effective dates received from the employing agencies to determine if the date complies with standard operating procedures.**

Without sufficient controls in place over automatic enrollment notices, an increased risk exists that automatic enrollment refunds are not requested by participants within the period of eligibility.

<u>2026-02: Deficiency in Access Controls Related to Processing Manual Adjustments</u>

The Agency and its vendor did not design control activities to ensure users are adequately trained to process manual adjustments before being granted access to process manual adjustments. Specifically, although the vendor has implemented role-based access controls where access to the [redacted] role (which enables processing manual adjustments) [redacted], not all individuals on this team are trained to perform these duties at the initial provisioning of the role. As such, individuals without proper training may be able to process manual adjustments.

The deficiency occurred because the Agency and its vendor did not perform sufficient risk assessment and design control activities to limit manual adjustment capabilities to only trained personnel. The Agency and its vendor relied on individuals to only perform tasks they were trained to complete, without accounting for the elevated risk inherent in manual adjustments, which bypass traditional rules-based system edits and require a higher level of human intervention.

GAO's *Standards for Internal Control in the Federal Government* states:

> **4.02:** Management establishes expectations of competence for key roles, and other roles at management's discretion, to help the entity achieve its objectives. Competence is the capability to carry out assigned responsibilities. It requires relevant knowledge, skills, and abilities, which are gained largely from professional experience, training, and certifications.
>
> **7.02:** Management identifies risks throughout the entity on a periodic and ongoing basis to provide a basis for analyzing risks.
>
> **10.12:** Management designs an appropriate mix of preventive and detective control activities to mitigate risks to an acceptable level, prioritizing preventive control activities where appropriate.

2. **The Agency should require its vendor to design and implement controls to limit the ability to process manual adjustments to individuals who have completed the requisite training or design and implement monitoring controls to verify that manual adjustments were processed by authorized and appropriately trained personnel.**

Without sufficient controls in place over the manual adjustments process, an increased risk exists that manual adjustments are processed inaccurately or without appropriate supporting documentation.

FUNDAMENTAL CONTROL FINDINGS WITHOUT RECOMMENDATIONS

<u>Deficiency in Automatic Enrollment Notices for Blended Retirement System Participants</u>

The Agency and its vendor did not have sufficient controls in place over the processing of participants who were automatically enrolled in the TSP. Specifically, during our compliance testwork [redacted] participants who were automatically enrolled in the TSP during the period of April 1, 2025, to March 31, 2026, we identified [redacted] for which the notice of automatic enrollment sent to the participant did not contain the required information regarding automatic enrollment refund eligibility.

The deficiency occurred because the Agency and its vendor did not configure the TSP system to include the paragraph related to refund eligibility in the notice generated for automatically re-enrolled Blended Retirement System (BRS) participants.

5 CFR Part 1600 Section 34(b)-(c) states:

> (b) All uniformed service members who either enter service on or after January 1, 2018 or re-enter service after a separation in service of 31 or more calendar days after having been covered by BRS at the time of separation will automatically have 5% of their basic pay contributed to the member's traditional TSP balance (default employee contribution) beginning the first full pay period following the date that is 60 days after the member's [Pay Entry Base Date] unless they elect by the end of that 60 day period:
>
> (1) To not contribute;
>
> (2) To contribute at some other level; or
>
> (3) To make Roth contributions in addition to, or in lieu of, traditional contributions.
>
> (c) If, for any calendar year, a uniformed service member described in paragraph (b) of this section does not make a contribution in the final full pay period of such calendar year due to the member's election to terminate contributions prior to the final full pay period, then that member will automatically have 5% of his or her basic pay contributed to his or her traditional TSP balance beginning the first full pay period of the following calendar year unless he or she makes a subsequent election by December 31st:
>
> (1) To not contribute;
>
> (2) To contribute at some other level; or
>
> (3) To make Roth contributions in addition to, or in lieu of, traditional contributions.

5 CFR Part 1600 Section 37 states:

> The TSP record keeper shall furnish all new employees and all rehired employees covered by the automatic enrollment program, and all employees described in paragraph (c) of § 1600.34, covered by the automatic enrollment program a notice that accurately describes:

(a) That default employee contributions equal to 5 percent of the employee's basic pay will be deducted from the employee's pay and contributed to the employee's traditional TSP balance on the employee's behalf if the employee does not make an affirmative contribution election;

(b) The employee's right to elect to not have default employee contributions made to the TSP on the employee's behalf, to elect to have a different percentage or amount of basic pay contributed to the TSP, or to make Roth contributions;

(c) The TSP core fund in which the default employee and agency contributions will be invested unless the employee makes an investment election;

(d) The employee's ability (or inability) to request a refund of any default employee contributions (adjusted for allocable gains and losses) and the procedure to request such a refund; and

(e) That an investment in any fund other than the G Fund is made at the employee's risk, that the employee is not protected by the United States Government or the Board against any loss on the investment, and that neither the United States Government nor the Board guarantees any return on the investment.

[redacted]

[redacted]

- [redacted]

GAO's *Standards for Internal Control in the Federal Government* states:

10.04: Compliance-related control activities - Management designs control activities to achieve compliance with applicable laws and regulations and to respond when noncompliance is identified. Compliance objectives may include protecting confidential information, including privacy and sensitive information; retaining communications; and completing various reporting requirements.

10.06: Management designs information technology control activities to support the operation and security of the entity's information technology and automated business processes. Information technology control activities consist of general, application, and user control activities.

For these sample items, we noted the Agency, in coordination with its vendor, modified the system configuration for welcome letters to include information regarding refund eligibility for BRS participants covered by the automatic enrollment program. We inspected instances of welcome letters issued to BRS participants after the system configuration was modified and determined the letters appropriately included information regarding refund eligibility. As the Agency completed this corrective action during the audit period, we did not consider a recommendation necessary related to this finding.

<u>Deficiency in Automatic Enrollment Refunds</u>

The Agency and its vendor did not have sufficient controls in place over the processing of automatic enrollment refunds. Specifically, during our compliance testwork [redacted] automatic enrollment refunds during the period of April 1, 2025, to March 31, 2026, we identified [redacted] sample items where the full amount of the matching contributions and associated earnings attributable to the refunded employee contributions were not forfeited.

The deficiency occurred because the Agency and its vendor did not configure the TSP system to include earnings nor certain matching contributions—specifically those associated with trailing employee contributions—in the forfeiture amount.

5 CFR Part 1600 Section 36 states:

(a) A participant is not entitled to keep the matching contributions and their associated earnings that are attributable to refunded default employee contributions.
(b) The matching contributions and associated earnings attributable to refunded default employee contributions shall be forfeited to the TSP and used to offset administrative expenses.

[redacted]

[redacted]

- [redacted]

GAO's *Standards for Internal Control in the Federal Government* states:

> **10.04**: Compliance-related control activities - Management designs control activities to achieve compliance with applicable laws and regulations and to respond when noncompliance is identified. Compliance objectives may include protecting confidential information, including privacy and sensitive information; retaining communications; and completing various reporting requirements.
>
> **10.06**: Management designs information technology control activities to support the operation and security of the entity's information technology and automated business processes. Information technology control activities consist of general, application, and user control activities.

For these sample items, we noted the Agency, in coordination with its vendor, modified the system configuration for automatic enrollment refunds to include applicable matching contributions and associated earnings in the forfeiture amount. We inspected samples of automatic enrollment refunds processed after the system configuration was modified and determined the applicable matching contributions and associated earnings were appropriately forfeited to the TSP. As the Agency completed this corrective action during the audit period, we did not consider a recommendation necessary related to this finding.

D. Other Results

While conducting our performance audit over the TSP account maintenance process, we made the following observations relevant to our audit objectives.

<u>Differences in the Calculation of Late Contributions Breakage</u>

Our performance audit procedures included using random attribute sampling to select a [redacted] late or missed contributions during the period of April 1, 2025, to March 31, 2026. During our compliance testwork, we identified [redacted] late contributions with differences greater than $0.01 or 10% between the breakage amount posted in the TSP system and our recalculation. The differences identified are summarized as follows:

Difference Type	Affected Sample Items (#)	Difference Range ($)	Average Difference ($)	Difference Range (%)	Average Difference (%)
Gain	[redacted]	$0.02 - 0.07	$0.03	10.53 - 300.00%	91.03%
Loss	[redacted]	$0.05		125.00%	

In response to the breakage differences identified in our testwork, the Agency and its vendor noted that the differences may be attributable to rounding in the TSP system configuration and were deemed acceptable to them based on their judgmental consideration of ranges for differences in calculations. The Agency and its vendor did not document the rounding conventions and calculations performed by the system in sufficient detail for personnel to perform an accurate recalculation of the breakage amounts posted in the TSP system. Procedures over the testing of system configurations prior to their implementation into the TSP system were outside of the scope of this performance audit. As such, we are unable to conclude whether the TSP breakage process complies fully with applicable regulations.

5 CFR Part 1605 Section 2 states:

(b) Calculating breakage. The TSP record keeper will calculate breakage for all contributions or loan payment corrections as follows:

(1) Use the participant's investment election on file for the “as of” date to determine how the funds would have been invested, going back to the earliest daily share

prices available. If there is no investment election on file, or one cannot be derived based on the investment of contributions, the TSP record keeper will consider the funds to have been invested in the default investment fund in effect for the participant on the “as of” date;

(2) Determine the number of shares of the applicable investment funds the participant would have received had the contributions or loan payments been made on time. If the “as of” date is before TSP account balances were converted to shares, this determination will be the number of shares the participant would have received on the conversion date, and will include the daily earnings the participant would have received had the contributions or loan payments been made on the “as of” date;

(3) Determine the dollar value on the posting date of the number of shares the participant would have received had the contributions or loan payments been made on time. If the contribution or loan payments would have been invested in a Lifecycle Fund that retired prior to June 1, 2022, then the share price of the L Income Fund will be used; but if the Lifecycle Fund retired on or after June 1, 2022, then a constructed share price for the retired Lifecycle Fund will be used. The constructed share price shall equal the final posted share price of the Lifecycle Fund on the business day the fund is retired, multiplied by the current L Income Fund share price at the time the correction is made, divided by the final posted share price of the L Income Fund on the business day the fund is retired. The dollar value shall be the number of shares the participant would have received had the contributions or loan payments been made on time multiplied either by the share price of the L Income Fund or the constructed share price, as determined by the posting date; and

(4) The difference between the dollar value of the contribution or loan payment on the posting date and the dollar value of the contribution or loan payment on the “as of” date is the breakage.

(c) ***Posting contributions and loan payments.*** Makeup and late contributions, late loan payments, and breakage, will be posted to the participant's account according to his or her investment election on file for the posting date. If there is no investment election on file for the posting date, they will be posted to the default investment fund in effect for the participant.

[redacted]

GAO’s *Standards for Internal Control in the Federal Government* states:

> **10.18**: When designing transaction control activities, management evaluates information processing objectives to meet the entity’s objectives and mitigate related risks. Information processing objectives may include the following:
>
> > Accuracy – Data relating to transactions and events are properly and timely recorded.
>
> **12.03**: Management documents in policies and procedures for each unit within the entity's organizational structure its responsibility for a business process's objectives and related risks and control activity design, implementation, and operating effectiveness. Each unit, with guidance from management, determines the policies necessary to operate the business process based on the objectives and related risks. Each unit also documents policies and procedures in the appropriate level of detail to allow management to effectively monitor the control activity. The documentation may appear in various forms, such as management directives, administrative policies, or operating manuals.

The differences we identified associated with the calculation of breakage could indicate an increased risk of inaccurate transactions being posted to participant account balances.

E. Summary of Open Recommendations

<u>2026 RECOMMENDATIONS</u>

RECOMMENDATIONS TO ADDRESS FUNDAMENTAL CONTROLS

Deficiency in Automatic Enrollment Notice

1. The Agency should require its vendor to update existing procedures to include a review of automatic enrollment effective dates received from the employing agencies to determine if the date complies with standard operating procedures.

Deficiency in Access Controls Related to Processing Manual Adjustments

2. The Agency should require its vendor to design and implement controls to limit the ability to process manual adjustments to individuals who have completed the requisite training or design and implement monitoring controls to verify that manual adjustments were processed by authorized and appropriately trained personnel.

AGENCY RESPONSE

Thrift Savings Plan
Federal Retirement Thrift Investment Board

August 19, 2026

Mr. Marcus J. Aron
Acting Chief Accountant
Employee Benefits
Security Administration
United States Department of Labor
Suite 400
122 C Street, N.W.
Washington, D.C. 20001-2109

Dear Marcus:

This letter is in response to KPMG's email dated July 29, 2026, transmitting the KPMG LLP report entitled Employee Benefits Security Administration Performance Audit over the Thrift Savings Plan Account Maintenance Process, dated August 2026. My comments with respect to this report are enclosed.

Thank you once again for the constructive approach that the Department of Labor and its contractors are taking in conducting the various audits of the TSP. The information and recommendations that are developed as a result of your reviews are useful to the continued improvement of the Thrift Savings Plan.

Very truly yours,

Ravindra Deo

Ravindra Deo

Enclosure

AGENCY'S RESPONSE, CONTINUED

Executive Director's Staff Formal Comments on the
Employee Benefits Security Administration Performance Audit over the
Thrift Savings Plan Account Maintenance Process

2026 FUNDAMENTAL CONTROL FINDINGS AND RECOMMENDATIONS

<u>Finding</u>: Deficiency in Automatic Enrollment Notice

Condition
The Agency and its vendor did not have sufficient controls in place over the processing of participants who were automatically enrolled in the TSP. Specifically, during our compliance testwork [redacted] participants who were automatically enrolled in the TSP during the period of April 1, 2025, to March 31, 2026, we identified [redacted] for which a notice of automatic enrollment was not sent to the participant.

The deficiency occurred because the Agency and its vendor did not configure the TSP system to generate a notice if the participant's automatic enrollment status was future dated at the time of receipt.

Recommendation Name: 2026-01: Ensure Enrollment Date SOP Compliance

2026-01 Recommendation:
The Agency should require its vendor to update existing procedures to include a review of automatic enrollment effective dates received from the employing agencies to determine if the date complies with standard operating procedures.

<u>Agency Response:</u>

The Agency concurs. The Agency's vendor acknowledges that the system did not generate a notice of automatic enrollment in [redacted] where the employing agency sent an automatic enrollment status with a future date, which is an exception to the normal procedure. The vendor will update its procedures to include a review of automatic enrollment effective dates received from employing agencies to ensure they align with standard operating procedures.

<u>Finding</u>: Deficiency in Access Controls Related to Processing Manual Adjustments

Condition
The Agency and its vendor did not design control activities to ensure users are adequately trained to process manual adjustments before being granted access to process manual adjustments. Specifically, although the vendor has implemented role-based access controls where access to the [redacted] role (which enables processing manual adjustments) [redacted], not all individuals on this team are trained to perform these duties at the initial provisioning of the role. As such, individuals without proper training may be able to process manual adjustments.

The deficiency occurred because the Agency and its vendor did not perform sufficient risk assessment and design control activities to limit manual adjustment capabilities to only trained personnel. The Agency and its vendor relied on individuals to only perform tasks they were trained

AGENCY'S RESPONSE, CONTINUED

to complete, without accounting for the elevated risk inherent in manual adjustments, which bypass traditional rules-based system edits and require a higher level of human intervention.

Recommendation Name: 2026-02: Design and Implement Monitoring Controls for Manual Adjustments

2026-02 Recommendation:
The Agency should require its vendor to design and implement controls to limit the ability to process manual adjustments to individuals who have completed the requisite training or design and implement monitoring controls to verify that manual adjustments were processed by authorized and appropriately trained personnel.

Agency Response:

The Agency concurs. The Agency notes that informal monitoring procedures were in place and functioning during the audit period, but documentation could be improved. All manual adjustment activity is tracked and traceable to the staff member who did the work and supervisors oversee staffing assignments and work outputs. The vendor also completed a full-year look-back of manual adjustment activity. This review confirmed that all transactions were completed by appropriately trained individuals and that no unauthorized or inappropriate adjustments occurred. The Agency and its vendor will continue to implement monitoring controls that verify manual adjustments are processed only by authorized and appropriately trained personnel.

KEY DOCUMENTATION AND REPORTS REVIEWED

Federal Retirement Thrift Investment Board's (FRTIB) Staff (Agency) Documents, Reports, and Sources

- *Summary of the Thrift Savings Plan*, dated January 2026
- [redacted], dated April 30, 2025
- [redacted], dated March 31, 2024
- [redacted] for various dates in the period of April 1, 2025, through March 31, 2026
- [redacted] for various dates in the period of April 1, 2025, through March 31, 2026
- TSP website – Share Price History
- TSP website – Share Price Calculation
- Minutes of the meetings of the FRTIB that occurred during the period of April 2025 through June 2026
- TSP Bulletin 25-3, *2026 TSP Contribution Limits*, dated November 19, 2025

Agency Vendor Documents, Reports, and Sources

- [redacted], dated November 2025
- [redacted], dated February 2026
- [redacted], dated October 2025
- [redacted], dated November 2025
- [redacted], dated February 2026
- [redacted], dated February 2026
- [redacted], dated June 2025
- [redacted], dated May 2025
- [redacted], dated May 2025
- [redacted], dated December 2025
- [redacted], dated September 2025
- [redacted], dated December 2025
- [redacted], dated February 19, 2026

KEY DOCUMENTATION AND REPORTS REVIEWED, CONTINUED

- [redacted], dated February 19, 2026
- [redacted], dated February 20, 2026
- [redacted], dated February 19, 2026
- [redacted], dated February 19, 2026
- [redacted], dated February 19, 2026
- [redacted], dated February 19, 2026
- [redacted], dated February 24, 2026
- [redacted], dated February 19, 2026
- [redacted], dated February 19, 2026
- [redacted], dated February 19, 2026
- [redacted], dated March 31, 2026
- [redacted], dated May 7, 2026
- [redacted], dated February 19, 2026
- [redacted], dated March 23, 2026
- [redacted], dated November 2025