



Employee Benefits Security Administration

Performance Audit of Certain Thrift Savings Plan Policies and Procedures of the Federal Retirement Thrift Investment Board Administrative Staff

October 12, 2020

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EXECUTIVE SUMMARY

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

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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) plan administration, procurement, and investment policies and procedures of the Federal Retirement Thrift Investment Board Administrative Staff (Agency). Our fieldwork was performed remotely from March 9, 2020 through August 21, 2020, in coordination with personnel primarily from the Federal Thrift Investment Board's Staff's (Agency) headquarters in Washington, DC. Our scope period for testing was January 1, 2019 through December 31, 2019.

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' *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 is defined in the EBSA's *Thrift Savings Plan Fiduciary Oversight Program*, which includes United States Code (USC) Title 5, Chapter 84 and Code of Federal Regulations (CFR) Title 5, Chapter VI.

The objectives of our audit over the TSP policies and procedures of the Agency were to:

- Determine if the Agency implemented certain procedures to: (1) maintain standards of conduct and provide ethics training; (2) establish an organizational structure with defined roles and responsibilities and delegated authority, and provide for succession planning; (3) process newly hired employees and separating employees; (4) identify risks to the entity and monitor response

to risks through development, implementation, and evaluation of internal control processes; (5) establish and monitor an annual budget; (6) procure goods and services in accordance with federal regulations; (7) monitor the reasonableness of administrative expenses; (8) maintain standards of conduct specific to the procurement function; (9) monitor the receipt of goods and services, and authorize expenses; (10) accurately record investment activity in the accounting records; (11) calculate the daily value of each fund's investments based on the net yield of the investments, less authorized administrative expenses and fees; and (12) monitor investment operations and results and maintain policies to provide retirement benefits to participants and beneficiaries in accordance with federal law;

- Test compliance with 5 USC 8437(c)(d), 8438(b), 8438(c), 8438(f), 8439(a)(3), 8439(b)(2), 8439(b)(3), 8472(e), 8472(f)(1-3), 8472(i), 8473(a)(b), 8474(a)(1), 8474(a)(2), 8474(b)(6), 8474(c)(5), 8475(1)(2), 8476(a)(b)(c), 8477, 8478(a-e) (hereinafter referred to as FERSA), and 5 CFR Parts 1632.10, 1645.2-4, 1645.5(a), 1645.6, 2634.201, 2634.605, 2634.903, 2635.107, 2638.301, 2638.304, 2638.306, 2638.307, and 2638.308 (hereinafter referred to as Agency Regulations); and
- Determine the status of the prior EBSA TSP open recommendations reported in the *Performance Audit of Certain Thrift Savings Plan Policies and Procedures of the Federal Retirement Thrift Investment Board Administrative Staff*, dated June 5, 2018.

We present two new findings and recommendations, presented in Section III.C, related to controls over the plan administration and procurement processes, one of which addresses fundamental controls and one that addresses other controls. Fundamental control recommendations address significant¹ 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 recommendations address procedures or processes that are less significant than fundamental controls. All recommendations are intended to strengthen TSP processes. 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.

¹ *Government Auditing Standards* section 6.04 defines significance in the context of a performance audit.

In addition, we identified one additional other control finding related to audit documentation for separated employees, in which certain documentation could not be provided for audit purposes. Specifically, we noted that certain departure checklists related to separating employees that were selected for testing were only available in hard copy format. As a result, when the Agency transitioned to a mandated remote work status because of the COVID-19 pandemic, it was neither able to retrieve the hard copies nor provide all of the requested audit documentation related to separated employees electronically. However, as this circumstance was beyond the Agency's control, we determined a recommendation was not necessary and reported this finding in Section III.C below for informational purposes only.

Based upon the performance audit procedures conducted and the results obtained, we have met our audit objectives. We conclude that for the period January 1, 2019 through December 31, 2019, the Agency implemented certain procedures to (1) maintain standards of conduct and provide ethics training; (2) establish an organizational structure with defined roles and responsibilities and delegated authority, and provide for succession planning; (3) process newly hired employees and separating employees; (4) identify risks to the entity and monitor response to risks through development, implementation, and evaluation of internal control processes; (5) establish and monitor an annual budget; (6) procure goods and services in accordance with federal regulations; (7) monitor the reasonableness of administrative expenses; (8) maintain standards of conduct specific to the procurement function; (9) monitor the receipt of goods and services, and authorize expenses; (10) accurately record investment activity in the accounting records; (11) calculate the daily value of each fund's investments based on the net yield of the investments, less authorized administrative expenses and fees; and (12) monitor investment operations and results and maintain policies to provide retirement benefits to participants and beneficiaries in accordance with federal law. As a result of our compliance testing, we did not identify any instances of noncompliance with FERSA or Agency Regulations. However, as indicated above, we noted internal control deficiencies related to the Agency's TSP plan administration and procurement processes.

We also reviewed eight prior EBSA recommendations related to the TSP procurement process to determine their current status. Section III.B documents the status of the prior recommendations. In summary, five recommendations have been implemented and closed and three recommendations have been partially implemented and remain open.

The Agency's responses to the recommendations, including the Executive Director's formal reply, are included as an appendix within the report (Appendix A). The Agency concurred with all recommendations.

This performance audit did not constitute an audit of the TSP's financial statements in accordance with *Government Auditing Standards*. 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

October 12, 2020

I. BACKGROUND OF THE TSP AND THE TSP ADMINISTRATIVE OPERATIONS

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 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 December 31, 2019, had approximately \$632 billion in investments and approximately 5.9 million participants².

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 Board's Staff (Agency) is responsible for administering TSP operations.

B. Overview of the TSP Administrative Operations

The Agency assists the Executive Director in managing the daily operations of the TSP. In addition to other activities, this management includes arranging for the investment of participant account balances held in the Thrift Savings Fund (TSF) in accordance with participant selections; procuring resources needed for the administration of the TSP program; and managing the accounting and budget functions of the TSP.

1. Investment Process³

FERSA, as amended, requires the TSP to offer five investment options: Government Securities Investment Fund (G Fund), Fixed Income Index Investment Fund (F Fund), Common Stock Index

² Source: Thrift Savings Fund Statistics, "Minutes of the January 27, 2020 Board Meeting, posted on the Board's website www.frtib.gov.

³ Sources: [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Investment Fund (C Fund), Small Capitalization Stock Index Fund (S Fund), and International Stock Index Investment Fund (I Fund). Participants may also choose to invest their contributions in the Lifecycle Funds (L Funds), which are portfolio funds comprised of the G, F, C, S, and I Funds that use professionally designed investment mixes (allocations) tailored to five⁴ different time horizons.

The Board has been designated to establish these investment funds under FERSA. In addition, the Board is responsible for establishing policies for TSP investment management.

G Fund

The Secretary of the Department of the Treasury (Treasury) is authorized by FERSA to issue special interest-bearing obligations of the United States for purchase by the TSP for the G Fund. The Executive Director is responsible for management of the G Fund, which has obligations with fixed maturities and bear an interest rate equal to the average market yield for all marketable interest-bearing obligations of the United States forming a part of the public debt that are not due or callable within four years, as of the last business day of the preceding month.

Treasury's Office of Debt Management calculates the G Fund interest rate monthly and provides the rate to the Agency's Office of Investments and to Treasury's Federal Investments Branch (FIB) of the Bureau of Fiscal Services. The rate applies for the entire month.

Each day, the Agency's OCFO Fund Management Division calculates the G Fund investment amount using the [REDACTED]. The Accounting Division reviews the calculated investment amount and then submits an investment purchase request to Treasury using [REDACTED]⁵. Once the request is submitted, [REDACTED] produces an electronic confirmation with the details of the investment amount. Withdrawals from the G Fund are performed on a net basis (only when participant withdrawals and interfund transfers exceed participant contributions) and submitted to Treasury using a redemption request through [REDACTED]. The Accounting Division then reconciles the confirmation to its records. The earnings on investments in the G Fund are referred to as "GSIF interest."

⁴ Source: TSPFS27 Fact Sheet as of June 2020, *Additional Lifecycle (L) Funds*. Starting July 1, 2020, the L Fund is tailored to 10 different time horizons.

⁵ [REDACTED]
[REDACTED]

F, C, S, and I Funds

FERSA requires the Board to develop prudent investment policies which provides opportunities to accumulate retirement income while incurring low administrative costs. To the extent required by FERSA, the Agency diversifies the investments of the funds so as to minimize the risk of large losses, unless under the circumstance it is clearly prudent not to do so.

The U.S. Code requires the F Fund to be invested in one or all of the following: 1) insurance contracts; 2) certificates of deposits; or 3) other instruments or obligations selected by qualified professional asset managers, which return the amount invested and pay interest at a specified rate or rates on that amount during a specified period of time. As such, the Board has chosen to invest the F Fund contributions in a portfolio that consists of U.S. Government, corporate, foreign government, taxable municipal, asset-backed securities, and mortgage-backed securities.

The C Fund contributions are invested in a portfolio designed such that, to the extent practicable, the percentage of the C Fund that is invested in each stock is the same as the percentage determined by dividing the aggregate market value of all shares of that stock by the aggregate market value of all shares of all stocks included in a predetermined index. The Board is responsible for selecting a commonly recognized index comprised of common stock where the aggregate market value is a reasonably complete representation of the United States equity markets.

The S Fund contributions are invested in a portfolio designed such that, to the extent practicable, the percentage of the S Fund that is invested in each stock is the same as the percentage determined by dividing the aggregate market value of all shares of that stock by the aggregate market value of all shares of all stocks included in the predetermined index. The Board is responsible for selecting a commonly recognized index comprised of stock where the aggregate market value is a reasonably complete representation of the United States equity markets, excluding those common stocks included in the C Fund.

The I Fund contributions are invested in a portfolio designed such that, to the extent practicable, the percentage of the I Fund that is invested in each stock is the same as the percentage determined by dividing the aggregate market value of all shares of that stock by the aggregate market value of all shares of all stocks included in the predetermined index. The Board is responsible for selecting a commonly recognized index comprised of stock where the aggregate market values are a

reasonably complete representation of the international equity markets excluding the United States equity markets.

The Accounting Division calculates investment amount for the F, C, S, and I Funds, which are currently managed by [REDACTED]. The Accounting Division determines all participant election activity that has occurred for that trade date, such as contributions, loans, withdrawals, and interfund transfers. The investment amounts for the F, C, S, and I Funds that are committed to [REDACTED] but not yet transferred are “held back” in the G Fund to avoid market exposure until disbursement. Additionally, check disbursements not yet processed by Treasury are also “held back” in the G Fund until disbursement due to the float period recognized for check disbursements.

After the Accounting Division notifies [REDACTED] via electronic submission on each trade date with the transfer amount, [REDACTED] sends an electronic confirmation (via email) of the investment amounts to the Accounting Division. The Accounting Division verifies the confirmation and authorizes the wire transfer, which will be transmitted to BTC the following business day (i.e., settlement date) [REDACTED]. Confirmations of the wire transfers are printed from the [REDACTED] and held until matched to amounts reflected on [REDACTED] daily settlement reports.

Withdrawals from F, C, S, and I Funds are performed on a net basis (only when participant withdrawals and interfund transfers exceed participant contributions). The procedures for withdrawals follow those for investing in the F, C, S, and I Funds.

[REDACTED] sends investment reports for the F, C, S, and I Funds to the Accounting Division on a daily basis. The investment reports detail the market and book values of day’s-end investment balances, investment transactions, and the earnings on investments. The Accounting Division reconciles this summary to the TSP accounting records.

L Funds

As discussed above, the L Funds diversify participant accounts among the G, F, C, S, and I Funds, using professionally determined investment mixes (allocations) that are tailored to specific time horizons. The L Funds are automatically re-balanced by the TSP record keeping system (TSP system) to their target allocations each trading day. The investment mix of the funds (except the

Income Fund) adjusts quarterly to more conservative investments as the fund's time horizon shortens. These quarterly adjustments are pre-determined based on the fund design and are reviewed for reasonableness at least annually by both the Office of Investments and an investment consulting firm. The asset allocations are based on consulting firm's economic assumptions regarding future investment returns, inflation, economic growth, and interest rates. The consulting firm reviews these assumptions at least annually and determines whether changes to the allocations are warranted.

Calculation of Daily Value of Investments

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. Share prices are calculated in the [REDACTED] system, which receives inputs for shares outstanding, market earnings, GSIF interest, and accrued expenses.

Shares outstanding are retrieved by [REDACTED] from the TSP system. Market earnings (F, C, S, and I Funds only) are retrieved from [REDACTED] and are equal to the change in the settled market value of the investments from the prior business day minus the proceeds of the prior day's trade. GSIF interest is calculated each business day based on invested balances and the G Fund interest rate, which is determined on the first business day of the month by Treasury. The Agency's Accounting Division calculates daily accrued expenses, net of forfeitures, on the first business day of each month.

2. Procurement Process⁶

The Agency uses the [REDACTED] to manage its procurement process. Five main types of requisitions are available to users within [REDACTED]: Purchase Order, Contract, Federal Supply Schedule (FSS) / Governmentwide Acquisition Contract (GWAC), Blanket Purchase Agreement, and Sole Source Contract. These requisitions are differentiated by either the requisitioner's need or the type of anticipated award. Depending on the type of requisition selected, different data values, approval processes, award forms, and/or obligation forms may be used. The Agency creates and processes the requisitions and the obligation documents within [REDACTED].

⁶ [REDACTED]
[REDACTED]
[REDACTED]

Items that are less than or equal to \$15,000 can be procured by the purchasing officer with an Agency-issued credit card. However, if the amount is greater than \$15,000, price comparisons must be made and the lowest cost selected. In the case of purchases over \$15,000 but less than \$250,000, a requisition must be completed and proper approvals received. Purchases of amounts greater than \$250,000 are subject to competitive bidding, unless the Agency grants, and can justify, issuing a “sole-source” contract, a FSS/GWAC contract, or a Blanket Purchase Agreement.

During the funding phase, the requisitioner works with the Contracting Officer (CO) to determine the appropriate documentation for the specific request, such as the Statement of Work, Statement of Objectives, Performance Work Statement, Sole Source Justification, Independent Government Cost Estimate, Market Research, Evaluation Criteria, and Requirements. Once the requisition is created, the requisitioner selects a vendor from the [REDACTED] vendor records. The vendor selected is based on the market research and other information gathered by the requisitioner during the funding phase; however, except for justified sole-source procurements, this process does not guarantee the procurement will be awarded to the selected vendor. A budget function code is then selected, which specifies the fiscal year and receiving office. [REDACTED] automatically generates a requisition form based on the information entered, and the requisitioner then proceeds to upload supporting documentation to the requisition. Once these steps are completed, the requisitioner submits the requisition for review through [REDACTED], which puts the requisition into the OCFO Budget Division’s queue for certification of funds availability. If it is rejected, the requisition returns to the requisitioner’s queue where it is either deleted or modified and resubmitted into the approval process. If a requisition is approved by the Budget Division, the requisition is sent to the OCFO Contracting Division for final approval by either the CO or Contract Specialist. If the Contracting Division or the Budget Division rejects the requisition, it is returned to the requisitioner for review.

The Agency does not have a separate approval process for posting procurement solicitations as prior to posting, the related requisitions have already been approved by the appropriate office personnel as discussed above. If an additional approval is deemed necessary, it is setup ad-hoc, in which case a solicitation is created by the Contracting Division personnel. The Contracting Division personnel then log into the [REDACTED] system to post the solicitation, receive quotes, and award task orders.

The responsibility to monitor contracts is the responsibility of the respective CO. Paper records and equivalent electronic data records are maintained at the Agency's offices at least as long as provided for in the Federal Acquisition Regulations (FAR).

3. Disbursement Process⁷

The Agency purchases items in accordance with its internal purchasing guidelines for administrative expenses. These guidelines generally follow the FAR and are described above in the Procurement Process section. The Executive Director has contracted with the [REDACTED] to process the Agency's disbursements for administrative expenses.

Received goods are reviewed by the ordering party or an administrative clerk to determine that the goods match the purchase order. If a discrepancy exists, the vendor is contacted and the matter resolved. When the invoice is received, either with the delivery of the goods or via mail, it is logged into [REDACTED] by a financial specialist, and the transaction case files attached in [REDACTED] are reviewed by the Accounting Division to ensure the invoice is not a duplicate. Additionally, the financial specialist verifies with the appropriate office that the goods were received and requests that the requisitioning office approves the invoice.

Upon approval by the Contracting Officer Representative (COR) of the requisitioning office, invoices are sent back to the Accounting Division to be reviewed and certified. From [REDACTED], the Accounting Division prepares a transmittal report containing a detailed record of all amounts to be paid. The Accounting Division also includes the certified vendor invoices along with the transmittal letter. The Accounting Division emails the transmittal package to [REDACTED] then reviews the transmittal package and processes the obligating documents and invoices to ensure payments are made within 30 days of invoice receipt.

[REDACTED] prepares a File Transfer Protocol (FTP) file indicating the vendor and payment amount. The file is sent to Treasury for disbursement of checks or Electronic Fund Transfer (EFT) payments to the vendor, while also updating [REDACTED] payment system. The Accounting Division downloads

⁷ [REDACTED]
[REDACTED]

payment information daily from [REDACTED] on-line accounting system to update [REDACTED] and adjust open accounts payable.

Agency disbursements processed by [REDACTED] during the month are listed on the Monthly Statement of Transaction by the Accounting Division and are reconciled to the accounting records, the [REDACTED] [REDACTED] system by both [REDACTED] and an Agency accountant.

4. Budgeting Process⁸

The budget formulation process for the various Agency offices begins no later than June or July for the subsequent fiscal year. The offices are asked to submit budget information via [REDACTED]. The Budget Division compiles all of the offices' budget information and submits a consolidated budget justification draft to the Executive Director for approval. The budget justification draft includes percentage changes between the proposed budget and the prior year approved budget. Once the Executive Director is satisfied with the contents of the proposed budget, he submits it with an attached memorandum describing the basis for certain assumptions made about financial needs in the upcoming year, to the Board for approval. The Board's budget vote generally occurs at the September Board meeting for the fiscal year beginning October 1.

During the year, as funds are obligated, office obligations are monitored by the Office Directors using [REDACTED] to ensure they do not exceed the budget. In those cases where an obligation is needed but office funds are insufficient, the Executive Director must authorize the obligation. Additionally, the Budget Division performs a quarterly review of each office's budgetary status to determine if current resource levels are adequate and that resources are being used appropriately.

5. Personnel Data⁹

The Agency has also contracted with [REDACTED] to provide base-level personnel and payroll support. Once an individual is hired by the Agency, the new employee completes all the necessary paperwork, and the Human Resources Division enters the data into [REDACTED]. Functions performed by the Human Resources Division at the Agency include recruiting and staffing,

[REDACTED]
[REDACTED]
[REDACTED]

developing position descriptions and classifications, overseeing employee relations, coordinating training needs, and generating internal personnel policy recommendations. [REDACTED] serves as the Agency's liaison with the Office of Personnel Management for transfer of [REDACTED] data and certification of payroll information.

II. OBJECTIVE, SCOPE AND METHODOLOGY

A. Objective

The U.S. Department of Labor Employee Benefits Security Administration (EBSA) engaged KPMG LLP (KPMG) to conduct a performance audit of the Thrift Savings Plan (TSP) plan administration, procurement, and investment policies and procedures of the Federal Retirement Thrift Investment Board (the Board) Administrative Staff (Agency).

The objectives of this performance audit were to:

- Determine if the Agency implemented certain procedures to: (1) maintain standards of conduct and provide ethics training; (2) establish an organizational structure with defined roles and responsibilities and delegated authority, and provide for succession planning; (3) process newly hired employees and separating employees; (4) identify risks to the entity and monitor response to risks through development, implementation, and evaluation of internal control processes; (5) establish and monitor an annual budget; (6) procure goods and services in accordance with federal regulations; (7) monitor the reasonableness of administrative expenses; (8) maintain standards of conduct specific to the procurement function; (9) monitor the receipt of goods and services, and authorize expenses; (10) accurately record investment activity in the accounting records; (11) calculate the daily value of each fund's investments based on the net yield of the investments, less authorized administrative expenses and fees; and (12) monitor investment operations and results and maintain policies to provide retirement benefits to participants and beneficiaries in accordance with federal law.
- Test compliance with 5 USC 8437(c)(d), 8438(b), 8438(c), 8438(f), 8439(a)(3), 8439(b)(2), 8439(b)(3), 8472(e), 8472(f)(1-3), 8472(i), 8473(a)(b), 8474(a)(1), 8474(a)(2), 8474(b)(6), 8474(c)(5), 8475(1)(2), 8476(a)(b)(c), 8477, 8478(a-e) (hereinafter referred to as FERSA), and 5 CFR Parts 1632.10, 1645.2-4, 1645.5(a), 1645.6, 2634.201, 2634.605, 2634.903, 2635.107, 2638.301, 2638.304, 2638.306, 2638.307, and 2638.308 (hereinafter referred to as Agency Regulations); and
- Determine the status of the prior EBSA TSP open recommendation reported in the *Performance Audit of Certain Thrift Savings Plan Policies and Procedures of the Federal Retirement Thrift Investment Board Administrative Staff*, dated June 5, 2018.

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 January 1, 2019 through December 31, 2019. We performed the audit in four phases: (1) planning, (2) arranging for the engagement with the Agency, (3) testing and interviewing, and (4) report writing.

The planning phase was designed to assist team members to develop a collective understanding of the activities and controls associated with the applications, processes, and personnel involved with the TSP operations. 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 and compliance. We conducted these test procedures remotely in coordination with personnel primarily from the Agency's headquarters in Washington D.C. In Appendix B, we identify the key documentation provided by the Agency and contractor personnel that we reviewed during our performance audit.

Our performance audit procedures included testing [REDACTED] samples of the following:

- [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
- [REDACTED]
[REDACTED]
- [REDACTED]
[REDACTED]
[REDACTED]

III. FINDINGS AND RECOMMENDATIONS

A. Introduction

We performed procedures related to the Thrift Savings Plan (TSP) plan administration, procurement, and investment policies and procedures of the Federal Retirement Thrift Investment Board's (the Board) Administrative Staff (Agency) while remotely conducting a performance audit related to activities at the Agency's headquarters. Our scope period for testing was January 1, 2019 through December 31, 2019. 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 January 1, 2019 through December 31, 2019, the Agency implemented certain procedures to (1) maintain standards of conduct and provide ethics training; (2) establish an organizational structure with defined roles and responsibilities and delegated authority, and provide for succession planning; (3) process newly hired employees and separating employees; (4) identify risks to the entity and monitor response to risks through development, implementation, and evaluation of internal control processes; (5) establish and monitor an annual budget; (6) procure goods and services in accordance with federal regulations; (7) monitor the reasonableness of administrative expenses; (8) maintain standards of conduct specific to the procurement function; (9) monitor the receipt of goods and services, and authorize expenses; (10) accurately record investment activity in the accounting records; (11) calculate the daily value of each fund's investments based on the net yield of the investments, less authorized administrative expenses and fees; and (12) monitor investment operations and results and maintain policies to provide retirement benefits to participants and beneficiaries in accordance with federal law. As a result of our compliance testing, we did not identify any instances of noncompliance with United States Code (USC) Chapter 5, Sections 8437(c)(d), 8438(b), 8438(c), 8438(f), 8439(a)(3), 8439(b)(2), 8439(b)(3), 8472(e), 8472(f)(1-3), 8472(i), 8473(a)(b), 8474(a)(1), 8474(a)(2), 8474(b)(6), 8474(c)(5), 8475(1)(2), 8476(a)(b)(c), 8477, 8478(a-e), or Code of Federal

Regulations Title 5, Parts 1632.10, 1645.2-4, 1645.5(a), 1645.6, 2634.201, 2634.605, 2634.903, 2635.107, 2638.301, 2638.304, 2638.306, 2638.307, or 2638.308. However, we noted internal control weaknesses in certain areas that could adversely affect the Agency's TSP plan administration and procurement processes.

We present two new findings and recommendations, presented in Section III.C, related to controls over the plan administration and procurement processes, one of which addresses fundamental controls and one that addresses other controls. Fundamental control recommendations address significant procedures or processes that have been designed and operate to reduce the risk that material intentional or unintentional processing errors could occur without timely detection or that assets are inadequately safeguarded against loss. Other control recommendations address procedures or processes that are less significant than fundamental controls. All recommendations are intended to strengthen TSP processes. The Agency should review and consider these recommendations for timely implementation. The Agency's responses to these recommendations are included as an appendix within this report (Appendix A).

In addition, we identified one additional other control finding related to audit documentation for separated employees, in which certain documentation could not be provided for audit purposes. Specifically, we noted that certain departure checklists related to separating employees that were selected for testing were only in hard copy format. As a result, when the Agency transitioned to a mandated remote work status because of the COVID-19 pandemic, it was neither able to retrieve the hard copies nor provide all of the requested audit documentation related to separated employees electronically. However, as this circumstance was beyond the Agency's control, we determined a recommendation was not necessary and reported this finding in Section III.C below for informational purposes only.

We also reviewed eight prior U.S. Department of Labor Employee Benefits Security Administration (EBSA) recommendations related to the TSP procurement process to determine their current status. Section III.B documents the status of the prior recommendations. In summary,

five recommendations have been implemented and closed and three recommendations have been partially implemented and remain open.

Section III.C presents the two new findings and recommendations from this performance audit. Section III.D summarizes each open recommendation.

B. Findings and Recommendations from Prior Reports

The findings and recommendations from prior reports that required follow-up are presented in this section. The discussion below includes the current status of the recommendations.

2015 Board Administrative Staff Recommendation No. 1:

Title: Weaknesses in Assessing Personal Conflicts of Interest in the Procurement Process and Retaining Certificates of Procurement Officials

Original Recommendation: The Agency should develop, document, and implement monitoring procedures to ensure compliance with existing procurement procedures related to assessing and documenting potential conflicts of interest and retaining certificates for procurement officials.

Reason for Recommendation: During our 2015 audit, we selected a sample of ■ contracts that were awarded during the period of January 1, 2015 to December 31, 2015. For ■ of ■ contracts selected for testwork, an evaluator had identified a financial interest in a potential vendor on the Conflicts of Interest form; however, the Agency did not take the necessary action to address this potential conflict of interest, although code of conflict procedures existed and were documented. In addition, for 13 of these contracts, the Agency did not obtain and retain certificates for the procurement officials to evidence their compliance with the requirements of Federal Acquisition Regulation 3.104.

Status: **Implemented.**

During the current year audit, we noted the Agency finalized and implemented updated contracting procedures, OCFO.111 *Contracting Procedures*, effective November 30, 2018. We inspected the updated *Contracting Procedures* and noted it contained a requirement in the Contract File Checklist for conflict of interest documentation to be included in the Source Evaluation Team (SET) contracting folder and the requirement to retain certificates for procurement officials. As such, we determined that the recommendation is implemented and closed.

During our current year testing, however, we identified instances in which documentation to evidence the required Contracting Officer review of Conflict of Interest (COI) forms or the COI form itself was not maintained. We have noted these instances as a new finding with a related recommendation presented in Section III.C below.

Disposition: **Recommendation Closed.**

2015 Board Administrative Staff Recommendation No. 2:

Title: Lack of Certain Formal Policies and Procedures

Original Recommendation: The Agency should develop, document, and implement procedures related to the prevention of splitting of purchases.

Reason for Recommendation: During our testing over the procurement process for the period of January 1, 2015 to December 31, 2015, we noted that, although our testwork did not identify any instance of improper splitting of purchases, formal procedures

related to preventing this practice in order to avoid certain procedural requirements and approvals were not documented.

Status: **Implemented.**

During current year testing, we did not identify any instances of improper splitting of purchases. Additionally, since the prior audit, contracting policies and procedures were further updated, effective as of November 30, 2018. With the update, the Agency has aligned its policies and procedures to the requirements as prescribed by the Federal Acquisition Regulation (FAR). For any instances in which Agency practices differ from FAR regulations, the differences are documented in the Thrift Federal Acquisition Supplement (T-FAS) as a supplement to the FAR.

We considered the results of our testing and the updated policies and procedures, noting the policies and procedures appropriately include references to the FAR which provides guidance addressing restrictions in consideration of splitting purchases, and determined that the prior year recommendation has been implemented and closed.

Disposition: **Closed.**

2018 Board Administrative Staff Recommendation No. 1:

Title: Insufficient Monitoring of Internal Controls

Original Recommendation: The Agency should update the *Internal Controls Procedures* document to reflect current roles and responsibilities and dedicate the resources necessary to fully implement monitoring procedures over the design,

implementation, and ongoing effectiveness of Agency-wide internal controls.

Reason for Recommendation: During our testing for the period of January 1, 2017 to December 31, 2017, we noted the following weaknesses associated with the Agency's *Enterprise Risk Management Policy*, dated August 31, 2017, and the related *Internal Controls Procedures*, dated August 31, 2015:

- The *Internal Controls Procedures* document had not been updated to reflect current roles and responsibilities identified in the *Enterprise Risk Management Policy*; and
- These policies and procedures related to the design, implementation, and monitoring of Agency-wide internal controls were not fully implemented during the scope period.

Although the Agency created the Internal Controls Team within the Office of Enterprise Risk Management (OERM) and assigned it the responsibility for assessing the design and testing the operating effectiveness of Agency-wide internal controls, full implementation of these control procedures was planned to continue through 2018.

Status: **Partially Implemented.**

During our current year audit procedures, we noted that although the Agency's *Enterprise Risk Management Policy*, dated January 31, 2019 and the related *Internal Controls Procedures*, dated January 31, 2019 were current for the scope period, the procedures related to the monitoring of Agency-wide internal controls were not fully implemented during the scope period. Specifically, we noted that the Agency only completed a risk assessment for 6 of 11 offices. Further, the Agency only performed internal control evaluations for 5 of the 6 offices for which risk assessments were completed. During our current year testing, we noted the Agency-wide

implementation of internal controls monitoring, including risk assessments, was currently being conducted as a phased approach across the entity, but the completion of the Agency-wide procedures was planned through the end of calendar year 2020. Because full implementation of Agency-wide risk assessments and control testing was not completed during the scope period, we consider the recommendation partially implemented and it remains open.

Disposition: **Recommendation Open.**

2018 Board Administrative Staff Recommendation No. 2:

Title: Inadequate Execution of the Internal Audit Plan

Original Recommendation: The Agency should dedicate the resources necessary to execute the annual internal audit plan approved by the Board in a timely manner.

Reason for Recommendation: During our testing for the period of January 1, 2017 to December 31, 2017, we noted that the Agency did not fully execute its 2017 internal audit plan. Specifically, only two of nine planned internal audits were completed during the scope period. Two of the seven incomplete audits were carried over from the 2016 internal audit plan and not completed as of December 31, 2017. Additionally, we noted the following status of the remaining five incomplete audits:

- One instance in which the audit was planned for completion prior to the end of 2017; however, only the audit entrance conference and initial planning for the audit were completed as of December 31, 2017.

- Four instances in which the audits were planned for completion prior to the end of 2017, but as of December 31, 2017, the audits had not yet been started.

Status: **Implemented.**

During our current year audit procedures, we noted the Agency was not able to provide sufficient documentation to evidence the use of a risk-based methodology for annual audit planning in order to select the three internal audits completed during the scope period. We also noted the IAD policies and procedures effective for the scope period were outdated.

Although the aforementioned deficiencies persisted during our scope period, we noted during our fieldwork that the IAD completed the internal audit plan for 2020-2021, which was based on the risk assessment methodology process. The audit plan was approved during the January 2020 Board meeting.

Further, we note that the updated IAD policy and procedures were approved as of February 29, 2020. As such, we determined that the recommendation is implemented and closed.

Disposition: **Recommendation Closed.**

2018 Board Administrative Staff Recommendation No. 3:

Title: Weakness in Fraud Risk Assessment

Original Recommendation: The Agency should dedicate the resources necessary to perform and document the results of an entity-wide fraud risk assessment in accordance with Agency procedures at least annually.

Reason for Recommendation: During our testing for the period of January 1, 2017 to December 31, 2017, we noted the Agency did not evaluate fraud risks or determine the existence and effectiveness of fraud risk internal controls and document related conclusions through the completion of a fraud risk assessment report.

Status: **Partially Implemented.**
During our testing for the period of January 1, 2019 to December 31, 2019, the Agency did not complete an entity-wide annual fraud risk assessment. We noted the Agency completed and documented a fraud risk assessment for participant accounts; however, this was the only assessment completed during the scope period. As such, we have determined the recommendation is partially implemented and it remains open.

Disposition: **Recommendation Open.**

2018 Board Administrative Staff Recommendation No. 4:

Title: Insufficient Monitoring of Contractor Performance

Original Recommendation: The Agency should revise and implement contracting procedures to specify the documentation required to be maintained for monitoring of vendor performance for applicable procurement types.

Reason for Recommendation: In our sample of ■ contracts exceeding \$250,000 during calendar year 2017, we identified ■ instances in which documentation was not readily available to evidence that the Agency monitored and measured contractor performance during our scope period in accordance with the OCFO's *Contracting Policy*, dated October 31, 2016.

Status: **Implemented.**

The Agency finalized and updated contracting policy, OCFO.110 *Contracting Policy*, effective November 30, 2018 and updated contracting procedures, OCFO.111 *Contracting Procedures*, effective November 30, 2018.

We inspected the updated *Contracting Policy* and *Contracting Procedures*, noting the Agency implemented procedures requiring Contracting Office Representatives (CORs) to maintain documentation for vendor performance monitoring. Furthermore, the Agency requires a Quality Assurance Surveillance Plan for performance-based contracts. Additionally, we did not identify any exceptions during our current year testing over this area. As such, we determined that the recommendation is implemented and closed.

Disposition: **Recommendation Closed.**

2018 Board Administrative Staff Recommendation No. 5:

Title: Insufficient Documentation of Personnel Authority

Original Recommendation: The Agency should develop, document, and implement procedures to specify the documentation required to be maintained for COR authority to approve invoices.

Reason for Recommendation: In our sample of ■ invoices received during calendar year 2017, we identified ■ instance in which documentation to evidence the designated authority for the COR to approve invoices was not provided.

Status: **Partially Implemented.**

During the scope period, the Agency finalized and updated disbursement policy, *OCFO.130 Agency Disbursement Policy*, effective November 30, 2018 and updated contracting procedures, *OCFO.111 Contracting Procedures*, effective November 30, 2018. We inspected the updated policy and procedures documents noting the Agency developed new procedures requiring retention of documents evidencing COR authority to approve invoices.

However, during our current year audit procedures, we tested a sample of ■ invoices for approval of disbursement. We identified ■ instance in which evidence was not provided for the COR's delegated authority, in order to confirm the COR who approved the invoice was authorized to do so. As such, we determined the policies and procedures were not effectively implemented and consider the recommendation partially implemented and open.

Disposition: **Recommendation Open.**

2018 Board Administrative Staff Recommendation No. 6:

Title: Certain Outdated Policies and Procedures

Original The Agency should:

Recommendation: a. Update and implement policies and procedures related to the approval of purchase requisitions to clearly identify the appropriate levels of approval authority in accordance with current business operations.

b. Fully implement procurement procedures that have been updated for consistency with current Agency operations and discontinue using outdated procurement procedures.

Reason for Recommendation: In our sample of [REDACTED] invoices received during calendar year 2017, we noted the following weaknesses associated with the *Agency Disbursements Policy*, dated January 31, 2016; *Agency Disbursements Procedures*, dated March 31, 2016; and *Directive 12A Procurement Policy, Guidelines, and Procedures Manual (Directive 12A)*, dated May 13, 1994:

- The *Agency Disbursements Policy* and *Agency Disbursements Procedures* had not been updated to reflect current roles and responsibilities related to approval of invoices. Specifically, [REDACTED] invoices were not approved by the Office Director in accordance with Agency policies and procedures. Invoice approval authority and responsibility for these items had been delegated to the COR.
- *Directive 12A* had not been updated to reflect current roles and responsibilities related to approval of purchase requisitions. Specifically, [REDACTED] purchase requisitions were not approved by the Executive Director, Office Director, or Deputy Office Director in accordance with Agency policies and procedures. Approval for these

items was completed by other individuals within the applicable program office responsible for the procurement.

Additionally, we noted that *Directive 12A* did not accurately reflect the current organization structure of the Agency.

Status: **Implemented.**

During the current scope period, the Agency finalized and updated contracting policy, OCFO.110 *Contracting Policy*, effective November 30, 2018 and updated contracting procedures, OCFO.111 *Contracting Procedures*, effective November 30, 2018. The Agency also created an organization chart to document the delegation of authority for purchase request approvals. Accordingly, the Chief Operating Officer and all Office Directors designated employees in their respective Offices who can approve purchase requests on their behalf.

We inspected the updated policy and procedure documents noting the Agency implemented the new policy and procedures to maintain consistency with current Agency operations and discontinued using outdated procurement policies and procedures. As such, we determined the prior year recommendation to be implemented and closed.

Disposition: **Recommendation Closed.**

C. 2020 Findings and Recommendations

While conducting our performance audit over the TSP plan administration, procurement, and investment policies and procedures of the Agency, we identified two new findings and developed related recommendations. EBSA requests appropriate and timely action for each recommendation.

FUNDAMENTAL CONTROL FINDINGS AND RECOMMENDATIONS

2020-01: Incomplete Review of Conflict of Interest Forms and Lack of Sufficient Documentation for Contracts

During our current year audit procedures, we tested a sample of [REDACTED] contracts for specific quantities of products in excess of \$250,000 and identified [REDACTED] instances in which sufficient supporting documentation for specific procurement requirements was not maintained in the contract binder. Specifically, we noted the following:

- For [REDACTED] of the contracts selected for testing, we noted supporting documentation to evidence that a price analysis was performed during the technical evaluation and that adequate time was given for prospective bidders to respond was not maintained; and
- For [REDACTED] contracts, documentation was not maintained to evidence compliance with bonding and/or insurance premium requirements.

Additionally, we tested a sample of [REDACTED] contracts for professional services in excess of \$250,000 and identified [REDACTED] contracts for which documentation could not be provided to evidence that all of the required reviews of the solicitations, and the Contracting Officer's (CO) review of the COI forms, were performed.

Also, we identified one instance in which the COI form was not maintained for [REDACTED] of the [REDACTED] contracts selected for testing.

The exceptions occurred because the Agency's policies and procedures did not require a subsequent review of the completed contract file documentation, including related COI required reviews and forms, to ensure completeness of the contract file documentation.

Principle 10 in the Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government*, indicates that "Management should design control activities to achieve objectives and respond to risks." In addition, paragraph 10.03 states:

Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.

The Office of the Chief Financial Officer's (OCFOs) *Contracting Procedures*, dated November 30, 2018, states:

The Contracting Officer is responsible for the contract file including the retention of contract documents and completion of the Contracting File Checklist. Contract files must be maintained electronically.

- 1. The Agency should enhance its contract policies and procedures to include a subsequent review of the electronic contract file, by an individual other than the preparer of the contract file, to ensure the completeness of the contract documentation and the review should be documented.**

Without full implementation of policies and procedures over procurement process, an increased risk of intentional or unintentional procurement improprieties exists.

OTHER CONTROL RECOMMENDATIONS

2020-02: Certain Outdated Policies and Procedures

During our current year audit procedures, we noted two instances in which policies and or procedures were outdated and did not accurately reflect the current operating environment. Specifically, we identified the following:

- The Anti-Fraud Divisions policy (Office of Enterprise Risk Management (OERM).110) was updated subsequent to the prior audit scope and has a current effective of June 30, 2018; however, the following supplemental fraud procedures referenced in the policy were not updated and were inconsistent with the updated policy:
 - OERM.111 *Fraud Risk Assessment Procedures*; effective date October 31, 2016; and
 - OERM.112 *Anti-Fraud Division Investigation Procedures*; effective date October 31, 2016.
- Certain procedures within the Office of Resource Management (ORM) are not reflective of current Agency operations. Specifically, ORM.261: *On-Boarding Procedures*, dated May 31, 2016, Section 4.1.1: *Hire Confirmation and Background Check*, required the Agency to complete background checks before the employees' entrance date; however, current processes did not require confirmation of background investigation suitability results prior to employees' entrance on duty dates.

The Agency did not dedicate the resources necessary to ensure that all policies and procedures were timely updated, as needed, to reflect current Agency operations.

The GAO's *Standards for Internal Control in the Federal Government*, paragraph 12.05, states:

Management periodically reviews policies, procedures, and related control activities for continued relevance and effectiveness in achieving the entity's objectives or addressing related risks. If there is a significant change in an entity's

process, management reviews this process in timely manner after the change to determine that the control activities are designed and implemented appropriately. Change may occur in personnel, operational process, or information technology.

2. The Agency should dedicate the resources to ensure that all policies and procedures are timely updated, as needed, to reflect current Agency operations.

Without updated and implemented fraud risk and resource management policies and procedures, an increased risk of intentional or unintentional fraud risk or resource management improprieties and inconsistent application of policies and procedures exists.

OTHER CONTROL FINDINGS WITHOUT RECOMMENDATIONS

During our current year audit procedures, we selected a sample of [REDACTED] separated employees and requested the completed departure checklist for each sample. For [REDACTED] of the [REDACTED] samples selected for testing, the Agency was not able to provide the requested departed checklists. This occurred because the Agency had to transition to a mandated remote work schedule because of the COVID-19. Specifically, we noted that the [REDACTED] departed checklists were only available in hardcopy and on-site access to retrieve the hardcopy documents was prohibited. We determined that the circumstances related to this finding were outside of the Agency's control. Therefore, we did not consider a recommendation necessary related to this finding.

D. Summary of Open Recommendations

2018 RECOMMENDATIONS

RECOMMENDATIONS TO ADDRESS FUNDAMENTAL CONTROLS

Insufficient Monitoring of Internal Controls

1. The Agency should update the *Internal Controls Procedures* document to reflect current roles and responsibilities and dedicate the resources necessary to fully implement monitoring procedures over the design, implementation, and ongoing effectiveness of Agency-wide internal controls.

Weakness in Fraud Risk Assessment

3. The Agency should dedicate the resources necessary to perform and document the results of an entity-wide fraud risk assessment in accordance with Agency procedures at least annually.

RECOMMENDATIONS TO ADDRESS OTHER CONTROLS

Insufficient Documentation of Personnel Authority

5. The Agency should develop, document, and implement procedures to specify the documentation required to be maintained for COR authority to approve invoices.

2020 RECOMMENDATIONS

RECOMMENDATIONS TO ADDRESS FUNDAMENTAL CONTROLS

Incomplete Review of Conflict of Interest Forms and Lack of Sufficient Documentation for Contracts

1. The Agency should enhance its contract policies and procedures to include a subsequent review of the electronic contract file, by an individual other than the preparer of the contract file, to ensure the completeness of the contract documentation and the review should be documented.

RECOMMENDATIONS TO ADDRESS OTHER CONTROLS

Certain Outdated Policies and Procedures

2. The Agency should dedicate the resources to ensure that all policies and procedures are timely updated, as needed, to reflect current Agency operations.

AGENCY'S RESPONSE



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

October 12, 2020

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

Dear Michael:

This is in response to KPMG's email dated September 28, 2020, transmitting the KPMG LLP report entitled Employee Benefits Security Administration Performance Audit of Certain Thrift Savings Plan Policies and Procedures of the Federal Retirement Thrift Investment Board Administrative Staff dated October 2020. 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

Enclosure

AGENCY'S RESPONSE, CONTINUED

Executive Director's Staff Formal Comments on the
Employee Benefits Security Administration Performance Audit of the Thrift Savings Plan
Board Staff

PY FUNDAMENTAL CONTROL FINDINGS AND RECOMMENDATIONS

2018 Board Staff Recommendation No. 1:

2018-1 Insufficient Monitoring of Internal Controls

Original Recommendation:

The Agency should update the Internal Controls Procedures document to reflect current roles and responsibilities and dedicate the resources necessary to fully implement monitoring procedures over the design, implementation, and ongoing effectiveness of Agency-wide internal controls.

Agency Response:

The Agency concurs with the recommendation. The Agency monitors the effectiveness of Agency-wide internal controls in accordance with the Office of Management and Budget (OMB) Circular A-123 and the Government Accountability Office (GAO) Standards for Internal Control in the Federal Government. The Agency is in the process of implementing the Agency-wide internal control program based on the revised GAO Standards and OMB Circular A-123. The Agency will complete the full implementation by March 31, 2021.

2018 Board Staff Recommendation No. 3:

2018-3 Weakness in Fraud Risk Assessment

Recommendation:

The Agency should dedicate the resources necessary to perform and document the results of an entity-wide fraud risk assessment in accordance with Agency procedures at least annually.

Agency Response:

The Agency concurs with the recommendation. The Agency plans and conducts fraud risk assessments at regular intervals in accordance with the OMB Circular A-123 and GAO fraud risk management framework standards, which recommend agencies customize their fraud risk assessment approach based on several factors such as program maturity, materiality, etc. As such, the Agency is currently revising its Anti-

AGENCY'S RESPONSE, CONTINUED

Fraud Policy to state fraud risk assessments will be performed at regular intervals (rather than annually) in alignment with federal guidance and best practices. In 2018, the Agency planned its fraud risk assessment based on the materiality of TSP plan assets and benefits paid to participants compared to the Agency administrative expenses. As planned, the Agency conducted the fraud risk assessment of TSP payments in 2019 and started an identification of the Agency's entity-level fraud risks in 2020. The Agency will complete the identification of entity-wide fraud risks and update its Anti-Fraud Policy and related procedures by March 31, 2021.

PY RECOMMENDATIONS TO ADDRESS OTHER CONTROLS**2018 Board Staff Recommendation No. 5:****2018-5 Insufficient Documentation of Personnel Authority**

Original Recommendation:

The Agency should develop, document, and implement procedures to specify the documentation required to be maintained for COR authority to approve invoices.

Agency Response:

The Agency concurs with the recommendation. Contracting Procedures OCFO.111, dated April 17, 2019, includes language for how Contracting Officers designate Contracting Officer's Representative (COR) for contracts requiring a COR; for contracts not requiring a COR and only a Point-of-Contact (POC) to approve invoices, the Agency designates those individuals through Board Order 6A. The COR Designation Memo provides the responsibilities an individual must fulfill when serving in the COR role including: reviewing invoices promptly, recommending payment, or recommending withholding payment. To avoid inadvertent omission of a COR Designation Memo in contract files, OCFO and Contracting Division Leadership will complete training for Contracting Officers by March 31, 2021.

FUNDAMENTAL CONTROL FINDINGS AND RECOMMENDATIONS**2020 Board Staff Recommendation No. 1:****2020-01: Incomplete Review of Conflict of Interest Forms and Lack of Sufficient Documentation for Contracts**

Recommendation:

The Agency should enhance its contract policies and procedures to include a subsequent review of the electronic contract file, by an individual other than the

AGENCY'S RESPONSE, CONTINUED

preparer of the contract file, to ensure the completeness of the contract documentation and the review should be documented.

Agency Response:

The agency concurs with the recommendation. Contracting Procedures OCFO.111, dated April 17, 2019, states that *“the Contracting Officer is responsible for the contract file including the retention of contract documents and completion of the Contracting File Checklist.”* Also, the Contracting Officer is required to use the current FRTIB Contract File Checklist, this checklist contains an entry for the Contractor Organizational Conflict of Interest (COCI) Form. OCFO and Contracting Division Leadership will continue to ensure that Contracting Officers “Performance Measures” are enacted and conduct contracting training by March 31, 2021 as to their roles and responsibility, especially as it pertains to the maintenance of a complete “Contract File.”

OTHER CONTROL RECOMMENDATIONS**2020 Board Staff Recommendation No. 2:****2020-02: Certain Outdated Policies and Procedures**

Recommendation:

The Agency should dedicate the resources to ensure that all policies and procedures are timely updated, as needed, to reflect current Agency operations.

Agency Response:

The Agency concurs with the recommendation. The Agency will dedicate adequate resources across all operations to periodically review and timely update relevant policies and procedures, as needed. The Agency plans to reassess the resource allocations based on the review of the Agency’s Policy and Procedures that govern the periodic reviews and revisions of the Agency policies and procedures. The Agency will complete the review and reassessment by March 31, 2022.

KEY DOCUMENTATION AND REPORTS REVIEWED

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

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KEY DOCUMENTATION AND REPORTS REVIEWED, CONTINUED

- [illegible]

KEY DOCUMENTATION AND REPORTS REVIEWED, CONTINUED

- [illegible]

KEY DOCUMENTATION AND REPORTS REVIEWED, CONTINUED

- [REDACTED]
[REDACTED]
- [REDACTED]
[REDACTED]
- [REDACTED]
[REDACTED]
- [REDACTED]
[REDACTED]
- [REDACTED]
[REDACTED]
- [REDACTED]

Other Documents and Reports

- CliftonLarsonAllen's *Independent Auditor's Report*, dated April 13, 2019, and the related audited Thrift Savings Fund Financial Statements as of December 31, 2018 and 2017
- CliftonLarsonAllen's *Independent Auditor's Report*, dated April 13, 2020, and the related audited Thrift Savings Fund Financial Statements as of December 31, 2019 and 2018
- CliftonLarsonAllen's workpapers supporting its audit opinion on the TSP financial statements for the year ended December 31, 2019
- [REDACTED]
[REDACTED]
- [REDACTED]
[REDACTED]