Employee Benefits Security Administration

Performance Audit over the Thrift Savings Plan Loans Process

August 18, 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) loans process. Our fieldwork was performed remotely from January 21, 2026, through June 23, 2026, in coordination with personnel primarily from the Federal Retirement Thrift Investment Board's Staff (Agency). Our scope period for testing was March 1, 2025, through February 28, 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 loans process were to:

- Determine whether the Agency and its vendor implemented certain procedures to (1) process TSP loan transactions promptly and accurately in individual participant accounts and in the appropriate investment fund(s); (2) disburse TSP loans in accordance with regulations and participant authorizations; (3) limit participation in the TSP loan program to participants who meet eligibility criteria; and (4) accurately record loan activity in the TSP accounting records;

- Test compliance of the TSP loans process with 5 USC 8433(g) and 8435(e)(g) (hereinafter referred to as FERSA) and 5 CFR 1655.2, 1655.4, 1655.5, 1655.6, 1655.7, 1655.9, 1655.11, 1655.12(a)(c-e), 1655.13(a-d), 1655.14, 1655.15, 1655.16, 1655.17(a-b), 1655.18(a-c), 1655.19, 1655.20, or 1655.21; and

- Determine the status of the prior EBSA TSP open recommendations reported in the *Performance Audit of the Thrift Savings Plan Loans Process,* dated August 30, 2023.

We present two new findings and two related recommendations, both of which address fundamental controls in the TSP loans process. Fundamental control findings and recommendations address significant[1] procedures or processes that are 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 loans 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 March 1, 2025, through February 28, 2026, the Agency and its vendor implemented certain procedures to (1) process TSP loan transactions promptly and accurately in individual participant accounts and in the appropriate investment fund(s); (2) disburse TSP loans in accordance with regulations and participant authorizations; (3) limit participation in the TSP loan program to participants who meet eligibility criteria; and (4) accurately record loan activity in the TSP accounting records. However, we noted internal control weaknesses in certain areas that could adversely affect the TSP loans process.

As a result of our compliance testing, we did not identify any instances of noncompliance with applicable provisions of FERSA or 5 CFR 1655.2, 1655.4, 1655.5, 1655.6, 1655.7, 1655.9, 1655.11, 1655.12(a)(c-e), 1655.13(a-d), 1655.14, 1655.15(b-d), 1655.16, 1655.17(a-b), 1655.18(a-c), 1655.19, 1655.20, or 1655.21. However, we did identify instances of noncompliance with certain elements of 5 CFR 1655.15(a)(e) as described in recommendation no. 2026-01 in Section III.C.

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

We also reviewed 15 prior EBSA recommendations related to the TSP loans process to determine their current status. Section III.B documents the status of the prior recommendations. In summary, nine recommendations have been implemented and closed, four recommendations have not been implemented but have been closed, and two recommendations have been overcome by events and closed.

The Agency's response to the recommendations, including the Executive Director's formal reply, is included in Appendix A within this report.

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 18, 2026

I. BACKGROUND OF THE LOANS PROCESS

A. The Thrift Savings Plan

Public Law 99-335, the Federal Employees' Retirement System Act of 1986, as amended, (FERSA) 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 February 28, 2026, had approximately $1.1 billion 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 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)[4]. 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 [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. Converge was implemented during the third quarter of fiscal year 2022.

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[2] Source: Minutes of the Federal Retirement Thrift Investment Board meeting held on March 24, 2026, posted on www.frtib.gov.

[3] Source: Agency internally sourced system documentation.

[4] Source: Minutes of the Federal Retirement Thrift Investment Board meeting held on November 16, 2020, posted on www.frtib.gov.

C. Overview of the TSP Loans Process[5]

1. Loan Requirements – Borrowing Rules

Under FERSA, as amended, any time before separation, TSP participants in pay status or furloughed may borrow a portion of the amounts they have contributed and related earnings. Agency automatic (1%) contributions, matching amounts, and related earnings cannot be borrowed.

TSP loans can be obtained for the purchase of a primary residence or for general purposes. Documentation of the need for a general-purpose loan is not required, but certain documentation is required for a primary residence loan such as copies of the purchase contract, settlement sheet, or other documentation to prove the cost and address of the residence. Prior to the distribution of a loan, documentation is reviewed to determine if all information applicable to the loan is appropriate and complete.

Loan applicants specify the loan amount and the desired repayment duration in years and months. The minimum amount a participant can borrow for either a general-purpose or primary residence loan is $1,000. A general-purpose loan repayment must be greater than 1 year (12 months) and cannot exceed 5 years (60 months). A primary residence loan repayment must be greater than 5 years (60 months) and cannot exceed 15 years (180 months). The loan must comply with Internal Revenue Code (IRC)[6] requirements which state the borrowed amount cannot exceed the lesser of the following: (1) 50 percent of a participant's total vested account balance (including any outstanding loan balance) or $10,000, whichever is greater, minus any outstanding loan balance; or (2) $50,000 less the participant's highest outstanding loan balance, if any, during the last 12 months. Additionally, the loan must comply with Title 5 of the Code of Federal Regulations (CFR), Part 1655.6(b) which states the borrowed amount cannot exceed employee contributions and related earnings in the participant's account, not including any outstanding loan balance[7].

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[5] Sources: *TSP Loan Booklet*, January 2026; Agency Loans Policy; and Agency Loans Procedures.

[6] IRC Title 26 Chapter 72(p)(2)(A).

[7] If the participant has a civilian account and a uniformed service account, the combined account balances and loan balances will be used when meeting the IRC and CFR requirements.

TSP participants are eligible for a loan only if the following key requirements are met:

- The participant is an active Federal employee or uniformed service member and in pay status with their respective agency;
- The participant has an account balance with greater than $1,000 of contributions, including related earnings;
- The participant has no more than two loans outstanding from their TSP account, and no more than one outstanding loan is a primary residence loan[8];
- The participant has no other loan requests in process;
- The participant has not paid off a TSP loan of the same type within 30 business days of the new loan application;
- The participant has not received a taxable distribution from a default on a loan within 365 calendar days of the new loan application; and
- The bank accounts or addresses for loan disbursement were not added to the participant's account within the last seven days.

2. Loan Application Process

Participants may request a loan through the TSP website or by calling the TSP Thriftline. Participants may be able to complete the loan process entirely online depending on their retirement system coverage, marital status, the type of loan, and method selected for receipt of funds. If the loan process can be completed entirely online, the loan request is automatically approved and processed within 24 business hours.

The TSP system performs various edit checks on the loan requests received to determine whether the participant is eligible for a loan and whether any suspected errors or discrepancies exist. If suspected errors or discrepancies exist, the TSP system will display an error message and will not allow the user to move forward in the loan request workflow until resolved.

When a married FERS or BRS participant submits a loan request online or through the ThriftLine, a spousal consent form is either emailed or mailed directly to the spouse. The spouse may provide their consent through a digital or wet signature and submit the completed form back to the TSP. In certain instances, a participant may receive a spousal waiver if they can demonstrate that their

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[8] A participant with both a civilian TSP account and a uniformed services TSP account may have two outstanding loans from each account.

spouse's whereabouts are unknown or exceptional circumstances make it inappropriate to secure the spouse's consent. The Agency's vendor is responsible for reviewing spousal consent forms to verify consent has been provided prior to approving the loan for processing. For married Civil Service Retirement System (CSRS) participants, the TSP is only required to notify the spouse when the participant applies for a loan.

Primary residence loan requests cannot be processed entirely online. Once the loan request is completed through the TSP website or the ThriftLine, the participant is sent instructions to provide additional supporting documentation to substantiate the purchase of the primary residence. A primary residence can be a house, condominium, a share in a cooperative housing corporation, a mobile home, townhouse, a boat, or a recreational vehicle, but it must be used as the participant's primary residence. The participant must be either purchasing an existing residence (whole or in part) or a new residence that is being constructed. Evidence for demonstrating cost of a new build must be provided. Supporting documentation may either be uploaded to the participant's account on the TSP website or mailed directly to the TSP. A primary residence loan may not be used for refinancing an existing mortgage or for renovations.

The Agency's vendor reviews and approves loan agreement packages for all loan applications that are not or cannot be submitted entirely via the TSP website or the Thriftline. If supporting documentation is not received within the timeline designated by the TSP, the loan request will be automatically cancelled. Once the Agency's vendor receives the completed loan package from the participant, they review the supporting documentation to verify that all required documentation has been received and fulfils the eligibility requirements for processing the loan.

If the loan request, including applicable supporting documentation, is determined to be free of errors, the request is approved in the TSP system. The approved loan transaction information is then processed during the nightly processing cycle. The nightly processing cycle generates a notice of the approved loan that includes pertinent loan data, such as the loan number, participant information, loan terms, and interest rate, which is mailed to the participant.

3. Loan Disbursement and Re-amortizations

Once the loan is approved, it is scheduled for disbursement. The TSP system is configured to automatically decrease the loan amount if a change in account value has caused the loan amount to exceed the available balance in the participant's account. A \$50 or \$100 fee is charged for each new general purpose or primary residence loan, respectively, and is deducted from the proceeds of the loan. The TSP disburses loans either through an electronic funds transfer (EFT) or by check, as indicated by the participant. The loan principal is disbursed from that portion of the account represented by employee contributions and attributable earnings, pro rata from each TSP Fund in which the account is invested and pro rata from traditional, Roth, and tax-exempt balances. Within one business day of the loan disbursement, the TSP system generates a confirmation notice that is mailed to the participant. If the loan is disbursed for a lesser amount than in the loan agreement, the confirmation notice informs the participant of the change and a new loan agreement is issued. The loan interest rate is the rate applicable to the TSP Government Securities Investment Fund on the 15th of the month prior to the loan effective date. Once the loan is disbursed, the TSP system automatically creates an amortization schedule based on the terms of the final loan agreement that calculates the payment amount, accrued interest, and amount applied to the loan principal for the entire loan term.

Participants can access the terms of their loans via the TSP website. Participants are responsible for communicating changes in payroll frequency to the TSP, which will initiate a loan re-amortization through the TSP system. No fee is charged to the participant for re-amortization of a loan. Re-amortized loans must continue to comply with TSP requirements for a maximum five-year loan term for general purpose loans and 15-year term for primary residence loans.

4. Loan Accounting and Reconciliations

The Agency's [redacted] and the Agency's vendor perform various daily reconciliations between the general ledger, the TSP system, U.S. Department of the Treasury (Treasury), and the Federal Reserve Bank (FRB) to ensure completeness, existence, and accuracy of the disbursed funds, outstanding loans, and loan payments.

Daily, an [redacted] reconciles outstanding loan activity within the TSP system to the general ledger at the plan level. In addition, the Agency's vendor performs a daily reconciliation of loan payments recorded by the Treasury to those recorded in the general ledger at the plan level. The Agency's vendor also performs a reconciliation of all disbursement activity, including loan disbursements, between Treasury and the TSP system. The [redacted] Division uses financial reports generated by the investment management system and the TSP system to prepare a manual journal entry to record daily loan activity to the general ledger.

5. Payroll Office Loan Repayments

All loans for active participants are required to be repaid through payroll withholding. Upon completion of the loan disbursement, a TSP report containing pertinent participant information is sent electronically to the participant's Federal agency or uniformed service payroll office to initiate payroll deductions from the participant's pay. These reports are only sent to payroll offices regarding a participant if 1) a loan has been disbursed and payments are required to be withheld from the participant's paycheck, 2) the loan has been paid off or been declared a taxable distribution and payments should cease, or 3) the loan has been changed or re-amortized and the payment amount previously withheld has changed.

Payroll offices submit loan payments to the TSP in the form of a [redacted] and payroll file. TSP loan repayments are received via the payroll deductions and submitted via the [redacted] which is a key application that supports and processes submissions by [redacted] offices. If the payment information matches a TSP loan account, the payment is transmitted to the TSP system, which automatically completes the processing of the loan payment and applies the payment to the participant's account pro-rata. If the payment is rejected by the TSP system, it is returned to the payroll office. Principal repayments and interest payments are allocated pro-rata based on the participant's source (i.e., traditional, Roth, and tax-exempt) at loan issuance and based on the participant's current allocation rates by investment fund. Participants are responsible for ensuring that loan payments are being properly withheld from their paychecks.

6. Treatment of Loan Prepayments Refunds, and Delinquencies

Loan Prepayments

Participants can prepay their loans in full or with partial payments without a prepayment penalty. A full prepayment is the payment of the entire outstanding loan balance prior to the scheduled loan maturity. Additional payments and prepayments can be made directly to the TSP by personal checks or direct debit transactions at the discretion of the participant.

Participants may either call the ThriftLine or visit the TSP website to determine their exact outstanding loan amount(s). The balance will reflect all unpaid principal and interest at the time of request plus 30 days of interest for processing. The participant sends the additional payment along with a loan payment coupon to the TSP for processing. All checks must be made payable to the TSP and include the loan number and social security number. After the check is scanned by

Treasury, the Agency's vendor reviews the loan payment coupon and compares the data on the coupon to data on the check. If they match, the check is processed. Checks submitted to the TSP are processed and funds are posted to the participant's account normally within two to three business days of receipt. Loan prepayments and additional payments are allocated pro-rata based on the participant's source (i.e., traditional, Roth, and tax-exempt) at loan issuance and based on the participant's current allocation rates by investment fund. Direct debit payments are initiated by the participant and processed through Treasury's Pay.gov website. Direct debits may be one-time payments or recurring monthly payments for participants that are not active employees of the Federal government or the uniformed services.

The TSP sends the participant a confirmation whenever a partial or full payment has been made on a loan. Images of the check, payment coupon, and other correspondence are scanned into the TSP system and stored. Once the loan is closed, the TSP notifies the applicable payroll office to stop loan payments.

Loan Refunds

In the case of overpayment, a participant is entitled to a refund when the loan has been overpaid by $10 or more. If the overpayment is less than $10, the amount is invested into the participant's account. The TSP system automatically identifies participant overpayments, and refunds are issued to participants daily via check.

Loan Delinquencies

Monthly, an automated loan default sweep is generated in the TSP system to identify participants who are behind more than two payments on their loan or whose payments are made for less than the required amount. Participants identified receive a system-generated notice of a pending deemed (taxable) distribution. The notice instructs the participant to make the required principal and interest payments by the end of the following quarter or a taxable distribution will be declared. Participants will continue to receive delinquency notices monthly until their loan delinquency is cured or the loan is declared a taxable distribution.

In accordance with 5 CFR 1655.14(e), loan delinquencies can be cured by a payroll payment or additional payment as described above. For participants that have missed two or more loan payments, if the appropriate amount is not posted to the loan balance by the end of the quarter following the quarter the first missed payment occurred, a taxable distribution is declared, and the participant's loan is automatically closed in the TSP system as a result of default.

Participants are automatically notified about the loan closure and declaration of the taxable distribution. Subsequently, taxable distributions are documented on the Internal Revenue Service Form 1099-R and submitted to the participant at the end of the calendar year for income tax reporting. Taxable distributions are based on the unpaid outstanding loan balances (including interest accrued up to the day the notice is given) and are reported based on the funds that make up the participant's outstanding loan. The taxed loan will be considered one of the participant's active loans until the participant pays the TSP the balance of the distribution in full or the loan period expires.

7. Changes in Participant Status

Participant Separations

When a participant separates from Federal service, the TSP receives the separation code from the participant's agency or uniformed service via the [redacted]. If the participant has an outstanding loan at the time of separation, the TSP automatically generates and sends the participant a notice stating that the participant has been separated from their previous agency/service and must repay the loan in full within 90 days of the notice or the loan will be declared a taxable distribution. Participants may then repay the loan balance, receive a taxable distribution, or submit documentation stating they are employed with another eligible agency or uniformed service. If a participant is in default status at the time of separation, the separation takes precedence over the default process, and the participant has 90 days to repay the loan. A participant may accelerate the 90-day notice by signing an Intent Not to Repay Statement, which is processed through the Agency's vendor and results in the immediate declaration of a taxable distribution.

Participants who transfer to another Federal agency or uniformed service are responsible for ensuring that correct loan payments continue upon transfer. Participants are instructed to notify the TSP if they transfer or change payroll offices or uniformed services.

Non-Pay Status

A change in a participant's employment status will result in a change in loan status for the participant. Participants enter a nonpay status in the event of administrative furlough, leave without pay, or military duty. The applicable agency payroll office notifies the TSP of participants who enter non-pay status, which suspends loan payments for up to one year for civilian participants, or for the duration of active military service for civilian participants who entered non-pay status to perform uniformed service. Interest will accrue on the loan balance during the suspension period. If a participant is in approved non-pay status (based on the participant's status with their respective agency or uniformed service) for one year or more (unless related to a civilian serving in active-duty military service), the participant is responsible for making loan payments from their personal funds to avoid being in default.

Payroll deductions will resume once the agency payroll office notifies the TSP that the participant has returned from nonpay status. The participant's loan is re-amortized automatically in the TSP system, and the participant is required to begin making payments based on the new amortization schedule. The TSP system is configured to automatically re-amortize the participant's loan upon the earlier of return from non-pay status or one year after beginning non-military, non-pay status. For military service non-pay status, the maximum time limits for repayment are extended by the length of military service. For other non-pay status, the time limits for loan repayment are extended by the number of months the participant was in non-pay status, up to the maximum limit of loan duration per regulations. If the participant fails to make the required payments on the re-amortized loan, the participant is subject to the delinquency process discussed above. Interest continues to accrue automatically in the TSP system during the period the loan is outstanding.

The primary method to document non-pay status is submission of the applicable TSP form (TSP-41) by the employing agency or uniformed service; the form should include the intended start date of the non-pay status and the type of non-pay status (military or non-military). If the agency/service does not submit the applicable TSP form, a Standard Form 50 *Notification of Personnel Action*, military orders, or a letter from the agency/service with all the required information is also accepted. Upon return from non-pay status, the aforementioned forms should be submitted by the participant's agency/service to indicate a return from non-pay status. Military participants are excluded from the quarterly default loan sweeps performed during approved non-pay status, and non-military participants are excluded from the sweeps during the first year of approved non-pay status.

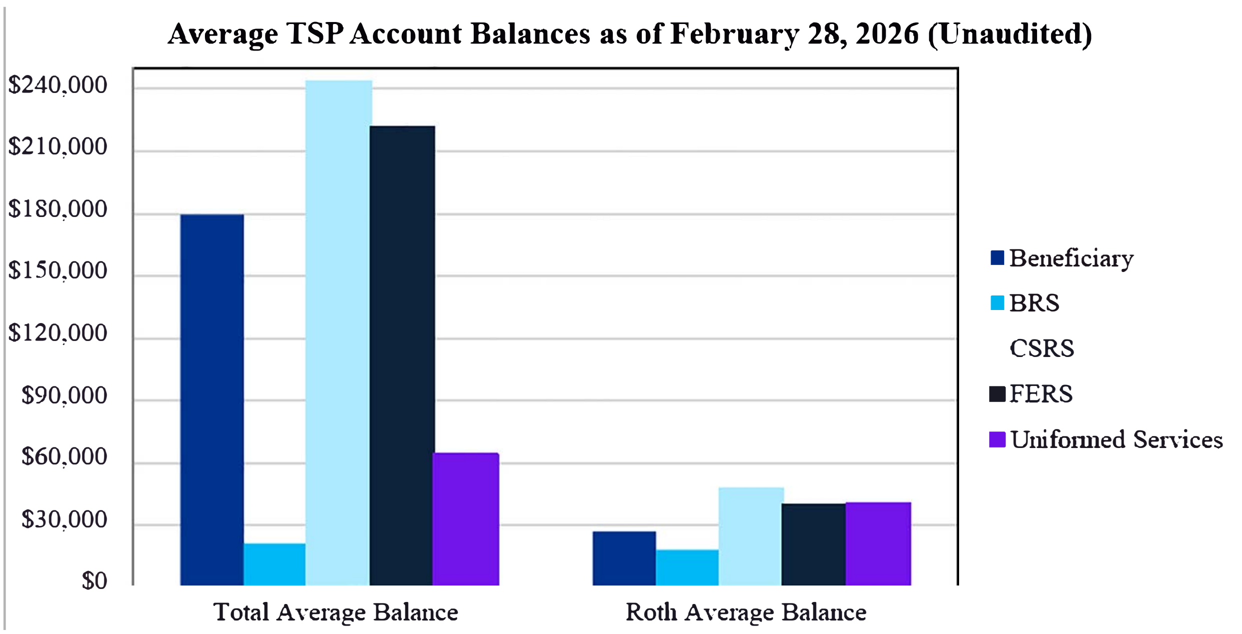
8. Loan Program Management and Monitoring

The Agency's [redacted] is responsible for establishing the operating policies and procedures for the TSP loan program. Agency management reviews loan-related performance measures on a monthly and quarterly basis, which includes numerous Service Level Requirements (SLRs) and Key Performance Indicators (KPIs) established in the Converge contract. Loan-related SLRs and KPIs include timely and accurate processing of transactions and information and timely and appropriate communications. The Agency's vendor submits performance reports, [redacted] by the Agency stakeholders for each operational area. After each Agency stakeholder [redacted], the OPE Contracting Officer Representative reviews and approves the package. [redacted] may escalate consistent or significant issues to the Board level for further consideration and action.

9. TSP Loans Statistics

Exhibit I-1 presents the total and Roth average account balances maintained by the TSP as of February 28, 2026, for Beneficiary, BRS, CSRS, FERS, and Uniformed Services participants[2].

Exhibit I-1



TSP loans have been disbursed since the inception of the loan program on January 1, 1988. Exhibit I-2 presents the total number and dollar value of loans disbursed[9] during the last five calendar years. TSP loan disbursements increased year-over-year in quantity. The increase from calendar

[9] Source: TSP *Cumulative Disbursement Reports* (January 2021 through December 2025)

year 2024 to calendar year 2025 is primarily attributable to the increase in participants in a furlough status during a period of 2025.

Exhibit I-2

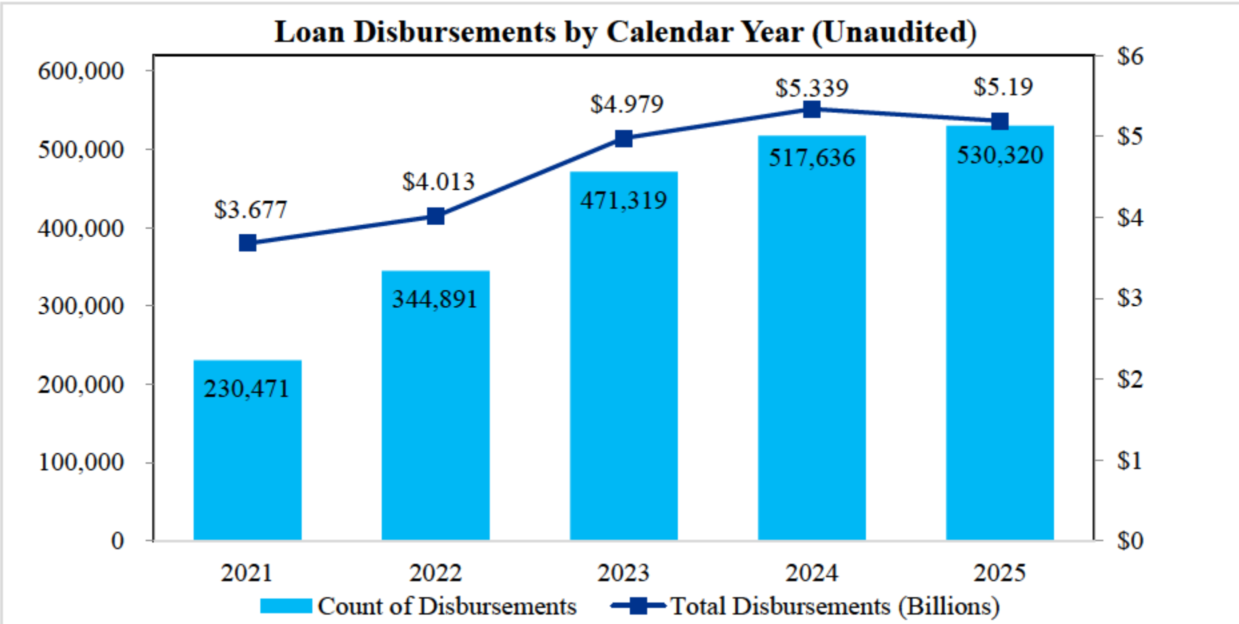
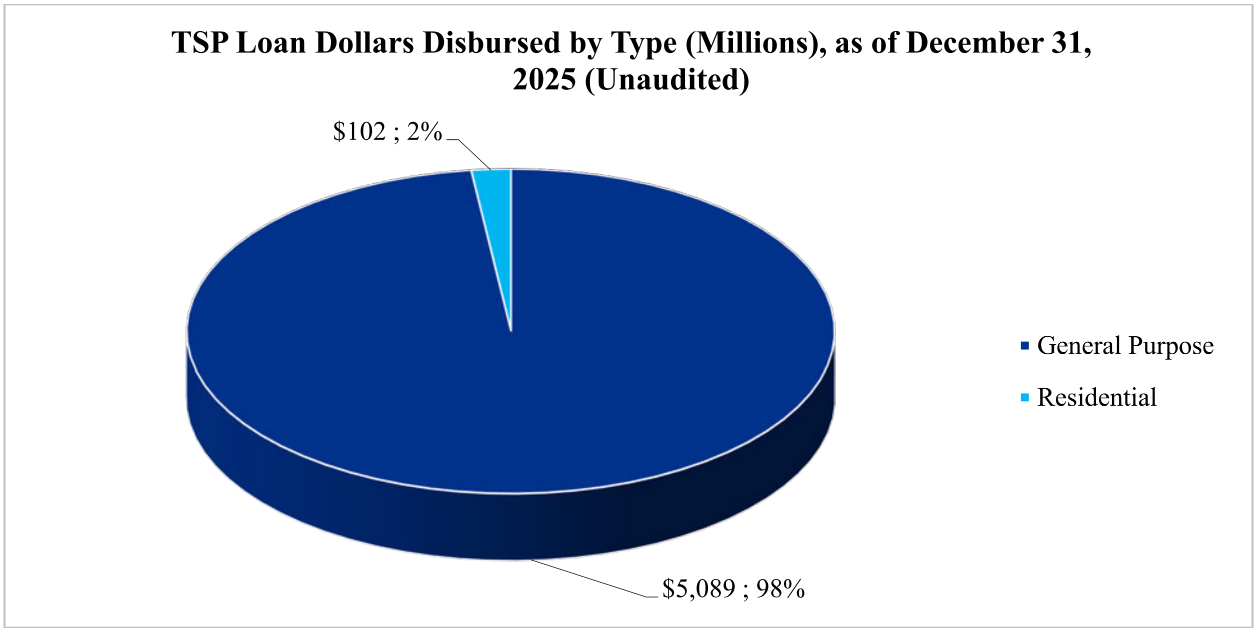


Exhibit I-3 presents the percentage of loan dollars disbursed by loan type for calendar year 2025[9]. The higher percentage of the two loan types, in terms of both dollars and number, is for general purpose loans. In calendar year 2025, approximately $5.1 billion in general purpose loans were disbursed, which represented 98 percent of total loan disbursements.

Exhibit I-3



II. OBJECTIVES, SCOPE, AND METHODOLOGY

A. Objectives

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

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

- Determine if the Federal Retirement Thrift Investment Board's Staff (Agency) and its vendor implemented certain procedures to (1) process TSP loan transactions promptly and accurately in individual participant accounts and in the appropriate investment fund(s); (2) disburse TSP loans in accordance with regulations and participant authorizations; (3) limit participation in the TSP loan program to participants who meet eligibility criteria; and (4) accurately record loan activity in the TSP accounting records;

- Test compliance of the TSP loans process with Title 5 of the United States Code, Sections 8433(g) and 8435(e)(g) (hereinafter referred to as FERSA) and Title 5 of the Code of Federal Regulations, Sections 1655.2, 1655.4, 1655.5, 1655.6, 1655.7, 1655.9, 1655.11, 1655.12(a)(c-e), 1655.13(a-d), 1655.14, 1655.15, 1655.16, 1655.17(a-b), 1655.18(a-c), 1655.19, 1655.20, or 1655.21 (hereinafter referred to as Agency regulations); and

- Assess the status of the prior EBSA TSP open recommendations reported in the *Performance Audit of the Thrift Savings Plan Loans Process,* dated August 30, 2023.

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 March 1, 2025, through February 28, 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 loans 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[10,11] and compliance. Our performance audit procedures included using random attribute sampling to select samples from the following populations related to TSP loans for the period of March 1, 2025, through February 28, 2026, which we used to determine if the TSP processed loan-related transactions in a manner that complied with FERSA and Agency regulations:

- Loans disbursed during the period of March 1, 2025, through February 28, 2026
- Loan payments received during the period of March 1, 2025, through February 28, 2026
- Participants to whom a second loan was disbursed while another loan was outstanding during the period of March 1, 2025, through February 28, 2026
- Loans paid in full during the period of March 1, 2025, through February 28, 2026
- Participants who missed a loan payment during the period of March 1, 2025, through February 28, 2026
- Participants for whom a taxable distribution was declared during the period of March 1, 2025, through February 28, 2026
- Participants with loans who entered non-pay status during the period of March 1, 2024, through February 28, 2025, and who had been in non-pay status for more than one year during the period of March 1, 2025, through February 28, 2026
- Loan re-amortizations during the period of March 1, 2025, through February 28, 2026
- Additional loan payments (prepayments) received during the period of March 1, 2025, through February 28, 2026
- Participants who requested loan payment via check during the period of March 1, 2025, through February 28, 2026

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[10] We tested certain general information technology (IT) system controls related to the loans process subsequent to the scope period and in a test environment because of timing and availability. The Agency represented that such controls were functionally and technically the same as those designed and operating in production environment from March 1, 2025, through February 28, 2026.

- Daily loan reconciliations for disbursements, payments, and outstanding loans during the period of March 1, 2025, through February 28, 2026

We conducted these test procedures remotely in coordination with personnel from the Agency's headquarters in Washington, D.C. and its vendor's headquarters in Arlington, VA. 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 United States Code Title 5, Chapter 84, and the Code of Federal Regulations Title 5, 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) loans 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 March 1, 2025, through February 28, 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 March 1, 2025, through February 28, 2026, the Agency and its vendor implemented certain procedures to (1) process TSP loan transactions promptly and accurately in individual participant accounts and in the appropriate investment fund(s); (2) disburse TSP loans in accordance with regulations and participant authorizations; (3) limit participation in the TSP loan program to participants who meet the eligibility criteria; and (4) accurately record loan activity in the TSP accounting records. However, we noted internal control weaknesses in certain areas of the TSP loans process within our audit objectives.

As a result of our compliance testing, we did not identify any instances of noncompliance with applicable provisions of Title 5 of the United States Code, Sections 8433(g) or 8435(e)(g); or Title 5 of the Code of Federal Regulations (CFR), Sections 1655.2, 1655.4, 1655.5, 1655.6, 1655.7, 1655.9, 1655.11, 1655.12(a)(c-e), 1655.13(a-d), 1655.14, 1655.15(b-d), 1655.16, 1655.17(a-b), 1655.18(a-c), 1655.19, 1655.20, or 1655.21. However, we did identify instances of noncompliance with certain elements of 5 CFR 1655.15(a)(e) as described in Section III.C.

We present two new findings and two related recommendations, outlined in Section III.C, both of which address fundamental controls in the TSP loan process. Fundamental control findings and recommendations address significant[12] 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

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

fundamental controls. These recommendations are intended to strengthen the TSP loans 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 15 prior U.S. Department of Labor Employee Benefits Security Administration (EBSA) recommendations related to the TSP loans process to determine their current status. Section III.B documents the status of the prior recommendations. In summary, nine recommendations have been implemented and closed, four recommendations have not been implemented but have been closed, and two recommendations have been overcome by events and 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 *Performance Audit of the Thrift Savings Plan Loans Process*, dated August 30, 2023. The discussion below includes the current status of the recommendations.

2023 TSP Loans Process Recommendation Nos. 1 and 2

Title:	Ineffective Loan Initiation Controls
Reason for Recommendations:	During our test of design and implementation of internal controls over the loan initiation process, we noted the following: • The Agency's vendor did not have a consistent control in place based on documented criteria to confirm that the initial review of primary residence loan applications was performed in accordance with policies and procedures prior to approving the loan request. • The Agency's vendor did not design and implement appropriate segregation of duties controls in the TSP recordkeeping system (TSP system). Specifically, the user roles were not configured to restrict

users outside of the personnel who had received technical training on the loan initiation process from approving primary residence loan requests.

Original Recommendation: **1. The Agency should require its vendor to design, document, and implement a secondary review process over primary residence loan applications and supporting documentation that is based on established criteria before the loan request is approved.**

Status: **Not Implemented.**

The Agency's vendor performed a risk assessment based on the review deficiency identified in 2023. The assessment indicated that primary residence loans are initiated by the participant via their online account and then routed to the TSP system for loan processor approval. Although primary residence loans involve a manual form component, the key parameters (e.g., loan amount) are not manually input by the processor. Instead, the processor approves the transaction by reviewing the system-generated record against the parameters on the paper form and hard copy supporting documentation. Additionally, the risk assessment detailed a review of primary residence loan approvals that demonstrated an accuracy rating deemed acceptable by the Agency. The risk assessment also detailed an established escalation path for processors to seek supervisory guidance on complex requests as needed prior to final approval or denial.

We selected a sample of [redacted] primary residence loans requested during the 2026 scope period and obtained and inspected the loan request and approval documentation from the TSP system for each sample item. We note that the primary residence loans were approved based on established criteria and in accordance with applicable policies and procedures for all sample items.

Based on these results, we concluded to close this recommendation as the Agency formally accepted risk associated with not implementing the recommendation and we did not identify any deficiencies in our 2026 testing.

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 approve primary residence loan requests to individuals who have completed the requisite training.**

Status: **Not Implemented.**

During our current year risk assessment procedures, we noted that individuals approving primary residence loans are separate from those who create the primary residence loan record within the TSP system. However, we identified that the role granted to users to approve primary residence loans is not limited to only those who have been trained.

As a result, we concluded to close this recommendation as there are segregation of duties controls that limit the ability to both create and approve primary residence loan requests. However, we issued a current year finding and recommendation to better address that the user role for processing primary residence loans was not limited to only those who had received the required training (see 2026 Loans Process Recommendation No. 02 in section III.C).

Disposition: **Recommendation Closed.**

2023 TSP Loans Process Recommendation Nos. 3, 4, and 5

Title: Deficiencies Related to Loan Re-amortizations

Reason for Recommendations: The Agency and its vendor did not have sufficient controls in place over the processing of loan re-amortizations. Specifically, in samples of [redacted] loans that were re-amortized during the scope period and [redacted] loans that entered nonpay status in the year prior to our scope period, we identified exceptions in [redacted] of the [redacted] loans, as follows:

- [redacted] for which the participant's return from nonpay status was not recorded in the TSP system as of the end of the scope period, over seven months after the employing agency certified the participant's [redacted], *Notification to TSP of Nonpay Status*;

- [redacted] loans that were not re-amortized after the employee reached 12 months in nonpay status, [redacted] of which were related to the participant being ahead on scheduled payments at the time the loan was to be re-amortized;
- [redacted] loans that were re-amortized, on average, three months after the participant reached 12 months in nonpay status;
- [redacted] loans that were automatically re-amortized upon conversion to the new TSP system;
- [redacted] for which the Agency and its vendor did not send the participant a notice to communicate the loan re-amortization and new payment amount; and
- [redacted] loans for which the Agency and its vendor did not provide sufficient documentation to support the calculation of the new periodic loan repayment amount resulting from the re-amortization.

Original Recommendations:

3. **The Agency should require its vendor to design and implement controls to support the accurate and timely re-amortization of loans in accordance with applicable regulations.**

5. **The Agency should require its vendor to design and implement monitoring controls over the consistent operation of automated controls related to loan re-amortizations.**

Status:

Implemented.

The Agency's vendor developed a monitoring control to determine if loans were being timely and accurately re-amortized for instances where employee status changes were late and/or incorrectly reported by the employer agency. Specifically, the vendor reviews a reoccurring report that identifies participants with outstanding loans who had a recent status change with no subsequent re-amortization processed. Any loans on the report listing were reviewed for discrepancies and resolved so that the re-amortization can be processed.

The Agency's vendor also developed a monitoring control to extend a participant's re-amortization date when they paid future payments in advance. Specifically, the vendor reviewed a reoccurring report that identified participants in nonpay status who were ahead on their loan payments. Any loans in the report listing were reviewed and a processing specialist adjusted the re-amortization date so that the loan no longer showed as paid ahead. These processes were documented in the vendor's Standard Operating Procedure (SOP) [redacted].

Additionally, the Agency's vendor developed a control to detect missing supporting documentation and [redacted]. This control was documented in the vendor's SOP [redacted].

During our current year fieldwork, we observed scenarios in the recordkeeping system for both an active and separated participant and noted that the loans were automatically re-amortized in accordance with applicable parameters. We also selected and tested a sample of [redacted] loans that were re-amortized during the scope period and determined that the automated re-amortizations for all of the loans were processed accurately and timely and had supporting documentation that was retained by the Agency's vendor.

Disposition: **Recommendations Closed.**

Original Recommendation:

4. The Agency should require its vendor to enhance existing documentation to clarify the design of automated system calculations, including sources of data.

Status: **Implemented.**

The Agency's vendor developed a [redacted] and supporting documentation package for loan re-amortizations that provides TSP system records (e.g. sources of data) to support the loan re-amortization amounts. The process of collecting the calculation data to provide as audit documentation is documented in the vendor's SOP [redacted].

We selected a sample of [redacted] loans that were re-amortized during the scope period and obtained and inspected the TSP system documentation and calculation spreadsheet for each sample item. We noted that the loan re-amortization amount was calculated accurately in the TSP system for all sample items.

Disposition: **Recommendation Closed.**

2023 TSP Loans Process Recommendation Nos. 6 and 7

Title: Deficiencies Related to Delinquency Identification and Repayments

Reason for Recommendation: The Agency's vendor did not have sufficient controls in place over the timely identification and accurate curing of delinquent loan balances. Specifically, in samples of [redacted] loans that entered delinquency status and [redacted] deemed distributions during the scope period, we identified exceptions in [redacted] of the [redacted] items, as follows:

- [redacted] loans for which the TSP system applied recurring payroll payments to participants' past due loan balances, which improperly cured the loan's delinquency status.
- [redacted] loans for which the TSP system did not flag the loan as delinquent and notify the participant of the delinquency by the month following the participant's second missed payment.

Original Recommendation: **6. The Agency should require its vendor to design and implement controls to support the accurate application of payments against delinquent loan balances in accordance with applicable regulations.**

Status: **Overcome by Events.**
At the time of this recommendation, the CFR did not allow for a payroll payment to cure a participant's delinquent loan. The Agency's vendor performed a review of industry regulations and noted that the CFR's requirement was stricter than the Internal Revenue Code for private-sector employees (25 USC 401(k)). As such, the Agency took steps to amend the CFR to allow for a payroll payment to cure a participant's delinquent loan.

The amended 5 CFR 1655.14(e) became effective on December 18, 2025. We noted that the vendor's SOP, [redacted] included procedures that were consistent with the revised CFR requirements.

Disposition:	**Recommendation Closed.**
Original Recommendation:	**7. The Agency should require its vendor to design and implement controls to support the timely identification of delinquent loans and communication of the delinquency to the participant in accordance with applicable regulations.**
Status:	**Implemented.**

The Agency's vendor developed a monitoring control to identify delinquent participants within the TSP system. Specifically, the vendor [redacted]. This process is documented in the vendor's SOP [redacted].

Additionally, the Agency's vendor developed a monitoring control to identify participants with a conflicting employment status between the TSP system and the employer agency, which affects the timely processing of delinquent loans. Specifically, the vendor [redacted]. This process is documented in the vendor's SOP [redacted].

We also selected a sample of [redacted] loans that were delinquent during the scope period and noted that the participants were notified of their missed payment timely and in accordance with applicable regulations.

Disposition: **Recommendation Closed.**

2023 TSP Loans Process Recommendation Nos. 8, 9, 10, and 11

Title:	Insufficient Documentation for Deemed Distribution Amounts

Reason for Recommendations:

The Agency and its vendor did not have sufficient controls in place to maintain documentation to support the calculation of deemed distributions. Specifically, we selected a sample of [redacted] deemed distributions that occurred during the audit scope period and identified [redacted] exceptions in [redacted] of these distributions, as follows:

- [redacted] for which the Agency and its vendor provided the incorrect Form 1099-R, *Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.*, to support the deemed distribution related to the selected loan. The documentation provided was related to the other types of distributions (e.g., total distributions) declared during the same tax year.
- [redacted] for which the gross distribution amount per the provided Form 1099-R(s) did not agree to the gross distribution amount per the TSP system.
- [redacted] loans for which the Agency and its vendor did not provide documentation to evidence the proportions of the Traditional and Roth balances applied to the loan at initiation.
- [redacted] loans for which the Agency and its vendor did not provide documentation to evidence the accuracy of the tax-exempt portion of the deemed distribution.
- [redacted] loans for which we noted that the allocation of the taxable and non-taxable balances on the Form 1099-R did not agree to the proportion of Roth and Traditional balances allocated to the loan at initiation.

Original Recommendations:

8. **The Agency should require its vendor to design and implement controls over the accurate calculation of deemed distributions and preparation of Form 1099-Rs.**

10. **The Agency should require its vendor to design and implement monitoring controls over the consistent operation of automated controls related to deemed distributions.**

Status: **Not Implemented.**

The Agency's vendor performed a root cause analysis for the deemed distribution calculation and 1099-R preparation deficiencies identified in 2023. The vendor identified through the analysis that additional records from the TSP system were required to accurately re-calculate sampled deemed distributions when a participant had multiple distributions (e.g. additional loans, withdrawals) within the same calendar year. In response, the Agency's vendor developed a process to collect, review, and deliver complete audit documentation. This process was documented in the vendor's SOP [redacted].

We confirmed that all exceptions identified in 2023 attributable to this recommendation related to participants with multiple distributions within the same calendar year. We then reviewed the supplementary documentation provided for the 2023 deficiencies and noted that the sampled deemed distributions and 1099-Rs were calculated and prepared accurately.

During our current year fieldwork, we observed a scenario in the recordkeeping system for a participant and noted that a deemed distribution was automatically recorded after no payments were made on their loan for a period of one year. We noted that the distribution was accurately calculated and the Form 1099-R was accurately populated in accordance with applicable parameters. Additionally, we selected a sample of [redacted] deemed distribution transactions during the current scope period and obtained and inspected the supporting documentation for each sample item. We determined that the deemed distribution and 1099-R amounts were calculated accurately for all sample items.

Based on these results, we concluded to close this recommendation as the underlying 2023 deficiencies were resolved by the supplemental recordkeeping system documentation and we did not identify any deficiencies during our current year testing. Therefore, additional controls over the deemed distributions process outside of the TSP system configuration to calculate deemed distributions and populate Form 1099-Rs are not required.

Disposition: **Recommendations Closed.**

Original Recommendation: **9. The Agency should require its vendor to enhance existing documentation to clarify the design of automated system calculations, including sources of data for calculations.**

Status: **Implemented.**

The Agency's vendor developed a [redacted] and supporting documentation package for deemed distributions that provides TSP system records (e.g. sources of data) to support the deemed distribution amounts. The process of collecting the calculation data to provide as audit documentation is documented in the vendor's SOP [redacted].

Additionally, we tested a sample of [redacted] deemed distribution transactions that occurred during the scope period by obtaining and inspecting the supporting documentation for each sample item. Based on our testing, we determined that the deemed distribution amounts were calculated accurately in the TSP system for all sample items.

Disposition: **Recommendation Closed.**

Original Recommendation: **11. The Agency should require its vendor to design and implement controls over the retention of supporting documentation and underlying data for deemed distributions and participant balances.**

Status: **Overcome by Events.**

The Agency's vendor performed a root cause analysis for the supporting documentation deficiencies identified in 2023. The analysis located the loan initiation documents and 1099-R forms, all of which were generated in the previous recordkeeping system. We reviewed the supplementary documentation provided for the 2023 deficiencies and noted that all required documentation was available and supported the sampled deemed distributions.

In June 2022, the Converge system replaced the legacy TSP recordkeeping system, and new document retention procedures were enacted. Within the Converge system, loan initiation and 1099-R forms are system-generated, and both the forms and their underlying data are retained within the Converge environment. We selected a sample of [redacted] deemed distribution transactions during the 2026 scope period and noted that supporting documentation was retained by the Agency's vendor for all sample items.

Based on these results, we concluded that this recommendation was overcome by events as the underlying 2023 deficiencies were resolved by the provided documentation. Further, we did not identify any deficiencies in our 2026 testing related to the updated document retention procedures. Therefore, this recommendation is no longer relevant in the current recordkeeping system environment.

Disposition: **Recommendation Closed.**

2023 TSP Loans Process Recommendation No. 12

Title: Insufficient Documentation for Participant Status Changes and Loan Disbursements

Original Recommendation: The Agency should require its vendor to retain supporting documentation for participant status changes and loan disbursements.

Reason for Recommendation: The Agency and its vendor did not have controls in place to maintain documentation related to participant nonpay status and loan disbursements. Specifically, we selected a sample of [redacted] participants who entered nonpay status during the year prior to the audit scope period, [redacted] loan disbursements that occurred during the scope period, and [redacted] instances of loan re-amortizations that occurred during the scope period. Of these sample items, we identified exceptions in [redacted] loans, as follows:

- [redacted] instances in which the Agency and its vendor did not provide the [redacted], *Notification to TSP of Nonpay Status*, that evidenced the start date of the participant's nonpay status.

- [redacted] in which the Agency and its vendor did not provide the Loan Promissory Notice – Thrift Savings Plan that evidenced the loan agreement and related parameters.

Status: **Implemented.**

The Agency's vendor developed a process to collect, review, and deliver complete audit documentation for participant status changes and loan disbursements. This process was documented in the vendor's SOP [redacted].

Additionally, the vendor developed a control to detect missing supporting documentation and upload it to the archive environment. The process for review was documented in the vendor's SOP [redacted].

We selected and tested a sample of [redacted] loan disbursements and [redacted] loans that were re-amortized during the scope period and noted that supporting documentation was retained by the Agency's vendor for all sample items.

Disposition: **Recommendation Closed.**

2023 TSP Loans Process Recommendation No. 13

Title: Deficiency in Timely Loan Disbursements

Original Recommendation: The Agency should require its vendor to design and implement monitoring controls over the timely disbursement of loans.

Reason for Recommendation: The Agency and its vendor did not have sufficient controls in place to consistently support timely loan disbursements. Specifically, we selected a sample of [redacted] loan disbursements and noted [redacted] in which the participant's loan was disbursed [redacted] days after initiation, and the Agency began collecting payments from the participant prior to the loan disbursement.

Status: **Implemented.**

The Agency's vendor performed a root cause analysis for the untimely disbursement of loans and noted that a backlog of loan disbursements existed during the 2023 loans process scope period because of a discrepancy in participant elections. The backlog was resolved in 2023.

Additionally, the Agency's vendor developed a control to review loan disbursement transactions for timeliness and accuracy on a weekly and monthly basis. This control is documented in the Agency's SOP [redacted], and requirements for resolution of discrepancies are documented in the associated quality assurance procedure document.

We inspected documentation of performance metrics related to timeliness and accuracy of loans disbursed during the scope period and noted that discrepancies causing delays in loan disbursements were resolved within seven days with an average resolution time of two days. Additionally, we selected a sample of [redacted] loans that were disbursed during the scope period and noted that the average loan disbursement occurred in two days from approval with a maximum disbursement time of three days.

Disposition: **Recommendation Closed.**

2023 TSP Loans Process Recommendation No. 14[13]

Title: Inconsistent Implementation of Accounting Reconciliations

Original Recommendation: The Agency should require its vendor to enhance existing policies and procedures to clarify requirements for preparing and reviewing the daily reconciliations, including documentation of research and resolution of variances and the timeframe for resolution of variances.

Reason for Recommendation: During our test of design and implementation over the daily accounting reconciliations performed by the Agency's vendor, we noted certain

[13] This recommendation was followed up on in the *Performance Audit over the Thrift Savings Plan Status of Certain Prior Year Findings*, dated July 23, 2025, and was determined to be partially implemented and remained open.

deficiencies related to the documentation and peer review of the reconciliations. Specifically, [redacted] noting the following:

- For [redacted] sample items included unresolved variances that were identified as many as seven months prior. The Agency's vendor separately stated that these variances were the result of post-conversion activities and were being addressed through a separate process. However, this information was not documented within the reconciliations to evidence the status of the open variances.
- For [redacted] we noted [redacted] and [redacted] sample items, respectively, that did not include sufficient documentation or explanations that evidenced the preparer researched and took steps to resolve each identified variance at the participant level.

Status: **Implemented.**

During our 2025 audit procedures in the *Performance Audit over the Thrift Savings Plan Status of Certain Prior Year Findings* report, we noted that the vendor developed requirements for the preparation and review of its daily accounting reconciliations. During our 2026 audit procedures, we noted that the vendor developed procedures for documenting variances and resolving variances that are greater than [redacted] days aged in its daily accounting reconciliations. The updated procedures were documented in the vendor's SOP [redacted].

We selected a sample of [redacted] days in the 2026 scope period and obtained and inspected the in-scope reconciliations for those days. We noted that all variances were documented and researched or resolved in accordance with the updated SOP.

Disposition: **Recommendation Closed.**

2023 TSP Loans Process Recommendation No. 16[14]

Title:	Deficiency in the Processing of Non-Payroll Loan Payments
Original Recommendation:	The Agency should require its vendor to design and implement monitoring controls over the timely processing of non-payroll loan payments.
Reason for Recommendation:	The Agency and its vendor did not have sufficient controls in place over the timely processing of non-payroll loan payments. Specifically, we selected a sample of [redacted] non-payroll loan payments that occurred during the audit scope period and noted [redacted] in which the Agency and its vendor did not process the check within [redacted] of receipt.
Status:	**Implemented.** The Agency's vendor performed a root cause analysis for the untimely processing of non-payroll loan payments and noted that the requirement that existed in the 2023 scope period SOPs to process all non-payroll loan payments within [redacted] was not a requirement per the CFR or the Agency's contract with the vendor. As such, this requirement was removed from the vendor's SOP [redacted]. We selected a sample of [redacted] days in the scope period and obtained and inspected the non-payroll reconciliation for those days. We noted that all variances were documented and researched or resolved in accordance with the updated SOP and that variances were resolved in a timely manner.
Disposition:	**Recommendation Closed.**

[14] 2023 TSP Loans Process Recommendation No. 15 was followed up on and closed in the *Performance Audit over the Thrift Savings Plan Status of Certain Prior Year Findings*, dated July 23, 2025.

C. 2026 Findings and Recommendations

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

FUNDAMENTAL CONTROL FINDINGS AND RECOMMENDATIONS

2026-01, Deficiencies Related to Nonpay Status Loans

The Agency and its vendor did not have sufficient controls in place over the processing of loans in nonpay status. Specifically, we tested a sample of [redacted] loans in nonpay status during the scope period and identified [redacted] loans for which the outstanding balances were incorrectly processed as taxable distributions. The [redacted] taxable distributions were processed after the Agency received the employing agency's nonpay status notice and while the loans were within the allowable 12-month nonpay period.

[redacted] of the deficiencies occurred because the employing agencies significantly delayed sending participant status updates to the Agency. Further, the Agency and its vendor had a gap in the existing operational controls to ensure that pending loan distributions for the related participants were canceled.

The remaining [redacted] deficiencies occurred because the employing agency initially submitted a manual employment status change and then subsequently submitted an electronic status change with the same effective date. Due to the TSP system configuration, these dual submissions negated one another, resulting in the employment status being updated incorrectly from nonpay to active. In October 2025, the Agency and its vendor reconfigured the TSP system to prohibit multiple employment status changes with the same effective date.

5 CFR 1655.15(a)(e) state:

(a) The TSP record keeper will ensure that all requirements set forth in section 72(p) of the Internal Revenue Code and the regulations promulgated thereunder with respect to deemed distributions are satisfied.

(1) The TSP record keeper will declare the entire unpaid balance of an outstanding loan (including interest) to be a deemed distribution if:

(i) The participant misses two or more loan payments or the participant's payments are made for less than the required amount, and the delinquency is not cured within the cure period;

(ii) The loan is not repaid in full by the maximum term limit; or

(iii) A participant is in a confirmed nonpay status for a period of one year or more, has not advised the TSP record keeper that he or she is serving on active military duty, and payments are not resumed after the participant is notified the loan has been re-amortized.

(e) If, because of Board or TSP record keeper error, a TSP loan is declared a deemed distribution or loan offset under circumstances that make such a declaration inconsistent with this part, or inconsistent with other procedures established by the Board or TSP record keeper in connection with the TSP loan program, the distribution will be reversed. The participant will be provided an opportunity to reinstate loan payments or repay in full the outstanding balance on the loan.

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

> **7.04:** Management considers all significant interactions within the entity and with external parties, changes within the entity's internal and external environment, and other internal and external factors to identify risks throughout the entity.
>
> **10.03:** Management designs appropriate types of control activities for the entity's internal control system. Control activities help management fulfill responsibilities and address identified risk responses in the internal control system.
>
> **13.04 and 13.05:** Management obtains relevant data from reliable internal and external sources in a timely manner based on the identified information requirements…Management processes the obtained data into quality information that supports the internal control system.

1. **The Agency and its vendor should design and implement controls to cancel pending taxable loan distributions when employing agencies submit delayed participant status updates with backdated effective dates.**

Without sufficient controls in place over the accurate processing of employment status updates for participants in nonpay status, an increased risk exists that outstanding loan balances are improperly processed as taxable distributions or participants are subjected to inaccurate tax reporting.

2026-02, Deficiency in Access Controls Related to Primary Residence Loan Approvals

The Agency and its vendor did not design control activities to ensure users are adequately trained to approve primary residence loans before being granted access to process primary residence loan requests. Specifically, although the vendor has implemented role-based access controls where access to the [redacted] role (which enables approving primary residence loans) is restricted to the operations team, 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 approve primary residence loans.

The deficiency occurred because the Agency and its vendor did not perform sufficient risk assessment and design control activities to limit primary residence loan approval 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 primary residence loan approvals which require a higher level of human intervention.

GAO's *Standards for Internal Control in the Federal Government* (May 2025) 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 approve primary residence loan requests to individuals who have completed the requisite training or design and implement monitoring controls to verify that primary residence loans were approved only by authorized and appropriately trained personnel.**

Without sufficient controls in place over the loan initiation process, an increased risk exists that loans are processed inaccurately, without appropriate supporting documentation, or for participants that are ineligible based on the requested parameters.

D. Other Results

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

Deficiencies in Initiating Payroll Payments

During our audit procedures, we selected a sample of [redacted] loan disbursements and noted [redacted] in which the participant's employing agency did not initiate payroll payments on behalf of the participant within [redacted] calendar days of loan initiation. Specifically, the employing agency did not send the first payment until [redacted] days after loan initiation.

This matter occurred because the Agency depends on each separate employing agency's internal processes to initiate payroll deductions timely upon receiving notification from the Agency. Per 5 CFR 1655.14(c), the initial payment on a loan is due on or before the 60th day following the loan issue date.

We determined that the Agency notified the employing agencies of the loan and the repayment amount within [redacted] days (approximately one pay period) of loan initiation, which we considered reasonable. Therefore, while the initial loan payment was not made in compliance with 5 CFR 1655.14(c), we did not consider a finding or recommendation at the Agency level necessary related to this observation. The untimely initiation of payroll payments could indicate an increased risk of loans inappropriately falling into delinquency.

E. Summary of Open Recommendations

<u>2026 RECOMMENDATIONS</u>

RECOMMENDATIONS TO ADDRESS FUNDAMENTAL CONTROLS

Deficiencies Related to Nonpay Status Loans

1. The Agency and its vendor should design and implement controls to cancel pending taxable loan distributions when employing agencies submit delayed participant status updates with backdated effective dates.

Deficiency in Access Controls Related to Primary Residence Loan Approvals

2. The Agency should require its vendor to design and implement controls to limit the ability to approve primary residence loan requests to individuals who have completed the requisite training or design and implement monitoring controls to verify that primary residence loans were approved only by authorized and appropriately trained personnel.

AGENCY'S RESPONSE

Thrift Savings Plan
Federal Retirement Thrift Investment Board

August 18, 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 Loan 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 Loans Process

2026 FUNDAMENTAL CONTROL FINDINGS AND RECOMMENDATIONS

Finding: Deficiencies Related to Nonpay Status Loans

Condition
The Agency and its vendor did not have sufficient controls in place over the processing of loans in nonpay status. Specifically, we tested a sample of [redacted] loans in nonpay status during the scope period and identified [redacted] loans for which the outstanding balances were incorrectly processed as taxable distributions. The [redacted] taxable distributions were processed after the Agency received the employing agency's nonpay status notice and while the loans were within the allowable 12-month nonpay period.

Recommendation Name: Cancel Pending Taxable Loan Distributions

2026-01 Recommendation:
The Agency and its vendor should design and implement controls to cancel pending taxable loan distributions when employing agencies submit delayed participant status updates with backdated effective dates.

Agency Response:

The Agency concurs. An internal review confirmed that the [redacted] instances cited occurred because the respective employing agencies delayed the submission of participant non-pay status updates with backdated effective dates.

While a framework of operational controls for managing loan distributions is in place, these specific events have highlighted a gap in existing procedures' ability to manage pending taxable loan distributions when such delayed and backdated status updates are received. The Agency, in collaboration with its vendor, will design and implement additional controls to ensure that pending taxations are appropriately canceled when late employing agency updates are received, in accordance with all applicable policies and procedures.

Finding: Deficiency in Access Controls Related to Primary Residence Loan Approvals

Condition
The Agency and its vendor did not design control activities to ensure users are adequately trained to approve primary residence loans before being granted access to process primary residence loan requests. Specifically, although the vendor has implemented role-based access controls where access to the [redacted] role (which enables approving primary residence loans) is restricted to the operations team, 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 approve primary residence loans.

AGENCY'S RESPONSE, CONTINUED

Recommendation Name: Limit Access or Monitor Primary Residence Loan Approvals

2026-02 Recommendation:
The Agency should require its vendor to design and implement controls to limit the ability to approve primary residence loan requests to individuals who have completed the requisite training or design and implement monitoring controls to verify that primary residence loans were approved only by authorized and appropriately trained personnel.

Agency Response:

The Agency concurs. The Agency also notes that a mix of preventative and detective monitoring procedures were already in place and functioning effectively during the audit period, but documentation could be improved. The vendor completed a full retrospective review of all primary residence loan approvals that occurred within the audit scope period. This review confirmed that all approvals were completed by appropriately trained and authorized individuals, and no instances were identified where untrained or unauthorized personnel performed these actions.

The Agency and its vendor will implement an additional monitoring control to continue to verify that primary residence loans are approved only by authorized and properly trained personnel.

KEY DOCUMENTATION AND REPORTS REVIEWED

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

- [redacted]
- *Loans Booklet,* dated January 2026
- *Minutes of the Meeting of the Board Members* for the monthly FRTIB meetings that occurred during the period of March 2025 through June 2026
- [redacted]
- Thrift Savings Plan (TSP) website
- General ledger reconciliation documentation for selected dates during the period of March 1, 2025, through February 28, 2026
- [redacted] for selected months during the period of March 1, 2025, through February 28, 2026
- [redacted] for selected dates during the period June 1, 2022, through January 31, 2023

<u>Agency Vendor Documents, Reports, and Sources</u>

- [redacted]
- Electronic listing of all loan activity (e.g., administrative fees, cancelled loan fees, contributions, disbursements, payments, receivables) during the period March 1, 2025, through February 28, 2026
- Electronic listing of all outstanding loans (general purpose and primary residence) during the period March 1, 2025, through February 28, 2026

KEY DOCUMENTATION AND REPORTS REVIEWED, CONTINUED

- Electronic listing of all loan payments made during the period March 1, 2025, through February 28, 2026
- Electronic listing of all loans paid in full during the period of March 1, 2025, through February 28, 2026
- Electronic listing of all taxable distributions during the period of March 1, 2025, through February 28, 2026
- Electronic listing of all reversed taxable distributions during the period of March 1, 2025, through February 28, 2026
- Electronic listing of all loan re-amortizations during the period of March 1, 2025, through February 28, 2026
- Electronic listing of all participants that took out a second loan during the period of March 1, 2025, through February 28, 2026
- Electronic listing of all pre-paid loans during the period March 1, 2025, through February 28, 2026
- Electronic listing of all loans that entered non-pay status during the period of March 1, 2025, through February 28, 2026
- Electronic listing of all participants who missed loan payments during the period of March 1, 2025, through February 28, 2026
- Electronic listing of all accounts frozen due to court orders during the period of March 1, 2025, through February 28, 2026
- Electronic listing of all participants who requested a distribution via check during the period of March 1, 2025, through February 28, 2026
- TSP system screenshots and participant notifications for loan disbursements for selected transactions during the period of March 1, 2025, through February 28, 2026
- TSP system screenshots and participant notifications for selected primary residence loans during the period of March 1, 2025, through February 28, 2026
- TSP system screenshots for payroll-related loan payments for selected transactions during the period of March 1, 2025, through February 28, 2026
- TSP system screenshots and participant notifications for selected additional payment/loan prepayment transactions during the period of March 1, 2025, through February 28, 2026
- TSP system screenshots and participant notifications for selected participants with a second loan during the period of March 1, 2025, through February 28, 2026
- TSP system screenshots and participant notifications for selected participants that received a taxable distribution during the period of March 1, 2025, through February 28, 2026

KEY DOCUMENTATION AND REPORTS REVIEWED, CONTINUED

- TSP system screenshots and participant notifications for selected participants with re-amortized loans during the period of March 1, 2025, through February 28, 2026
- TSP system screenshots and participant notifications selected participants who missed loan payments during the period of March 1, 2025, through February 28, 2026
- TSP system screenshots for selected loans paid in full during the period of March 1, 2025, through February 28, 2026
- TSP system screenshots and participant notifications for selected participants that entered non-pay status while having an outstanding loan during the period of March 1, 2025, through February 28, 2026
- [redacted] for selected dates during the period of March 1, 2025, through February 28, 2026
- [redacted] for selected dates during the period of March 1, 2025, through February 28, 2026
- [redacted] for selected dates during the period of March 1, 2025, through February 28, 2026

<u>Other Documents and Reports</u>

- U.S. Treasury Office of Debt Management [redacted] from March 1, 2025, through February 28, 2026
- U.S. Treasury [redacted] for selected dates during the period March 1, 2025, through February 28, 2026