KPMG

Employee Benefits Security Administration

Performance Audit of the Thrift Savings Plan Computer Access and Security Controls

May 15, 2018

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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) computer access and security controls. Our fieldwork was performed from October 20, 2017 through February 16, 2018, primarily at the Federal Retirement Thrift Investment Board's Staff's (Agency) headquarters in Washington, D.C. and at an Agency's contractor's location in Virginia. Our scope period for testing was January 1, 2017 through December 31, 2017.

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 EBSA's *Thrift Savings Plan Fiduciary Oversight Program*, which includes the National Institute of Standards and Technology Special Publication 800-53, Revision 4, *Security and Privacy Controls for Federal Information Systems and Organizations*.

The objectives of our audit over the TSP computer access and security controls were to:

- Determine whether (1) security management controls had been established, documented, and implemented for in-scope TSP systems[1]; (2) physical and logical access controls had been

[redacted]

established, documented, and enforced for in-scope TSP systems; and (3) privacy controls had been established, documented, and enforced to protect TSP data.

- Determine the status of the prior EBSA TSP computer access and security controls open recommendations reported in *Performance Audit of the Thrift Savings Plan Computer Access and Security Controls,* dated May 3, 2017.

We present seven new findings and recommendations related to TSP computer access and security controls, six of which address fundamental controls and one of which addresses other controls. Fundamental control recommendations address significant[2] 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 computer access and security controls. 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.

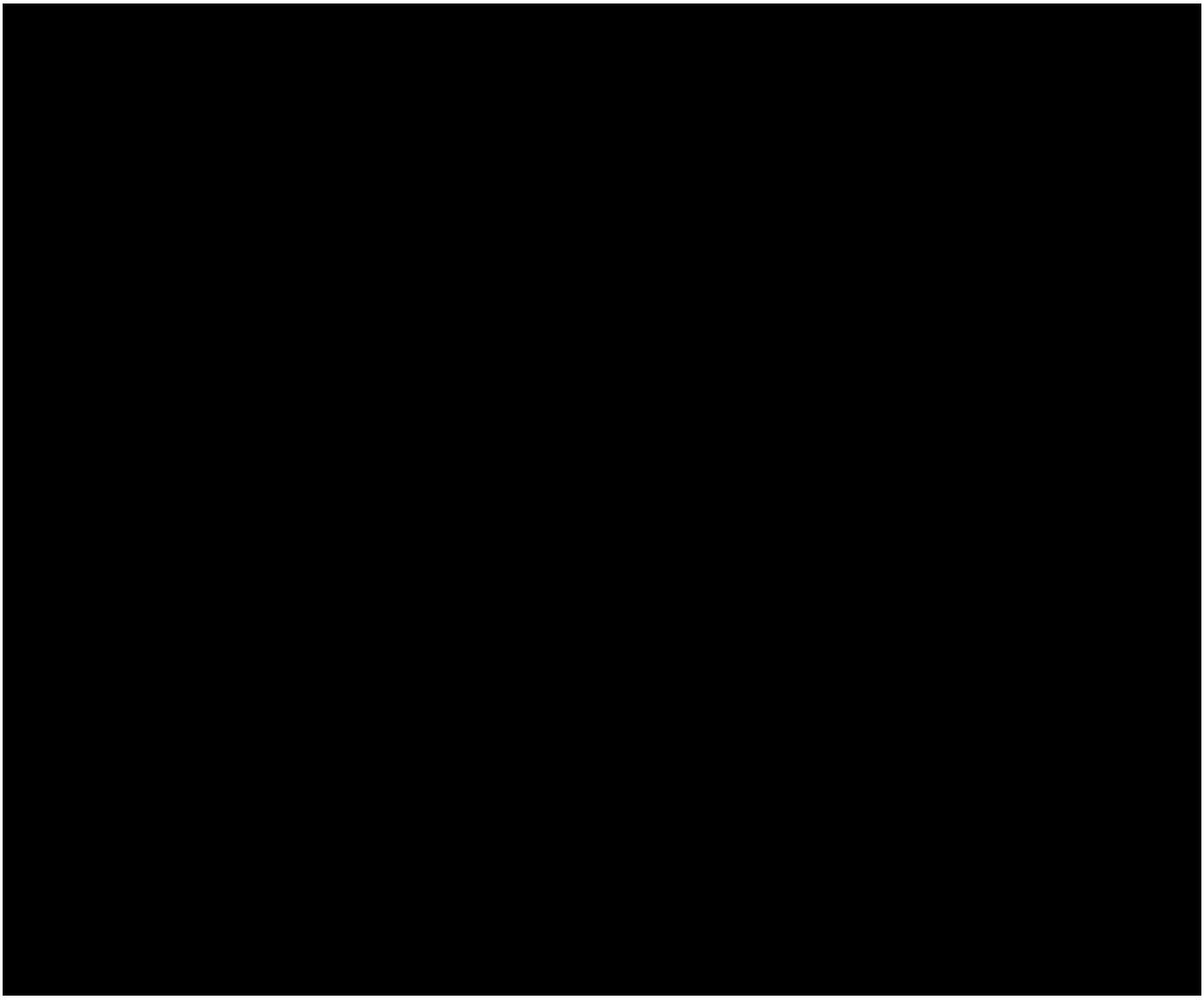
Based upon the performance audit procedures conducted and the results obtained, we have met our audit objectives. We conclude that for the period January 1, 2017 through December 31, 2017 (1) security management controls were not established, documented, and implemented for in-scope TSP systems[1]; (2) physical and logical access controls were not established, documented, and enforced for in-scope TSP systems; and (3) privacy controls were not established, documented, and enforced to protect TSP data. However, as indicated above, we noted internal control weaknesses in all areas of TSP computer access and security controls within our audit objectives.

We also reviewed 24 prior EBSA recommendations related to TSP computer access and security controls to determine their current status. Section III.B documents the status of these prior recommendations. In summary, four recommendations have been implemented and closed, 17 recommendations have been partially implemented and remain open, and three recommendations have not been implemented and remain open.

[redacted]

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

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 22 of 27 recommendations; however, it did not concur with five recommendations that are discussed below:



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 Benefit 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

May 15, 2018

II. OBJECTIVE, 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 of the Thrift Savings Plan (TSP) computer access and security controls at the Federal Retirement Thrift Investment Board's Staff (Agency).

The objectives of our performance audit over the TSP computer access and security controls were to:

- Determine whether (1) security management controls had been established, documented, and implemented for in-scope TSP systems[1]; (2) physical and logical access controls had been established, documented, and enforced for in-scope TSP systems; and (3) privacy controls had been established, documented, and enforced to protect TSP data.

- Determine the status of the prior EBSA TSP computer access and security controls open recommendations reported in *Performance Audit of the Thrift Savings Plan Computer Access and Security Controls*, dated May 3, 2017.

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, 2017 through December 31, 2017. 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 TSP computer access and security. Arranging the engagement included contacting the Agency and agreeing on the timing of detailed testing procedures.

During the testing and interviewing phase, we performed the following procedures related to the TSP computer access and security controls to achieve our audit objectives:

- Conducted interviews;
- Collected and inspected auditee-provided documentation and evidence;
- Participated in process walk-throughs for physical and logical access and data monitoring activities, security and risk management activities, and TSP sensitive information activities;
- Inspected applicable contracts and procedures for IT support services;
- Inspected system documentation for evidence of implementation and ongoing monitoring;
- Inspected system identity and access management settings and privileged access for compliance with Agency requirements;
- Inspected a [redacted] sample of Agency Plans of Actions and Milestones for evidence of timely review;
- Inspected a [redacted] sample of new user accounts for evidence of approval;
- Inspected a [redacted] sample of terminated employees and contractors for evidence of removal from selected systems and applications upon termination;
- Inspected a [redacted] sample of individuals with physical access to the primary and backup data centers for evidence of approval and removal upon termination;
- Inspected a [redacted] sample of active users for evidence of appropriate suitability investigations or reinvestigations;
- Inspected a [redacted] sample of active users for evidence of timely completion of privacy and security awareness training; and
- Inspected a [redacted] sample [redacted]

We conducted these test procedures primarily at Agency headquarters [redacted] and at an Agency's contractor's location [redacted]. In Appendix B, we identify the key documentation provided by Agency personnel that we reviewed during our performance audit. [redacted]

Testing procedures were based on the objectives and control areas for information security and access controls in the Government Accountability Office's *Federal Information System Controls Audit Manual*. In addition, the National Institute of Standards and Technology Special Publication 800-53, Revision 4, *Security and Privacy Controls for Federal Information Systems and Organizations,* was used to evaluate the status of the Agency's control environment.

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.

This report contains Sensitive Information and will not be posted.