



Employee Benefits Security Administration

Performance Audit of the Thrift Savings Plan IT Operations Controls

August 30, 2019

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EXECUTIVE SUMMARY

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

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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) information technology (IT) operations controls. Our fieldwork was performed from April 17, 2019 through June 21, 2019 primarily at the Federal Retirement Thrift Investment Board's Staff's (Agency) headquarters in Washington, D.C and at the Agency's contractor's location in Virginia. Our scope period for testing was April 1, 2018 through April 30, 2019.

We conducted this performance audit in accordance with the performance audit standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the American Institute of Certified Public Accountants' *Standards for Consulting Services*. *Government Auditing Standards* require that we plan and perform the audit to obtain sufficient, appropriate audit evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Criteria used for this audit are defined in the EBSA's *Thrift Savings Plan Fiduciary Oversight Program*, which includes the National Institute of Standards and Technology (NIST) Special Publication 800-53, Revision 4, *Security and Privacy Controls for Federal Information Systems and Organizations*.

The objectives of our audit over the TSP IT operations controls were to:

- Determine if the Agency implemented certain procedures to: (1) support and maintain the overall IT operating environment and hardware operations, (2) manage asset incidents, including identifying, tracking, responding to, and reporting incidents; (3) schedule jobs and process batches; and (4) manage databases, including documenting data dictionaries and performing database integrity checks.

- Determine the status of the prior EBSA TSP open recommendations reported in *Performance Audit of the Thrift Savings Plan IT Operations Controls*, dated July 13, 2016.

We present nine new findings and recommendations related to TSP IT operations controls, eight addressing fundamental controls and one addressing other controls. Fundamental control recommendations address significant¹ procedures or processes that have been designed and operate to reduce the risk that material intentional or unintentional processing errors could occur without timely detection or that assets are inadequately safeguarded against loss. Other control recommendations address procedures or processes that are less significant than fundamental controls. All recommendations are intended to strengthen TSP IT operations 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.

We experienced certain limitations during the conduct of our audit. Consequently, we were unable to complete our procedures over job scheduling, batch processing, and database management. Because the Agency did not provide the necessary supporting documentation to complete these procedures, we were unable to meet the following audit objectives: Determine if the Agency implemented certain procedures to schedule jobs and process batches and determine if the Agency implemented certain procedures to manage databases, including documenting data dictionaries and performing database integrity checks.

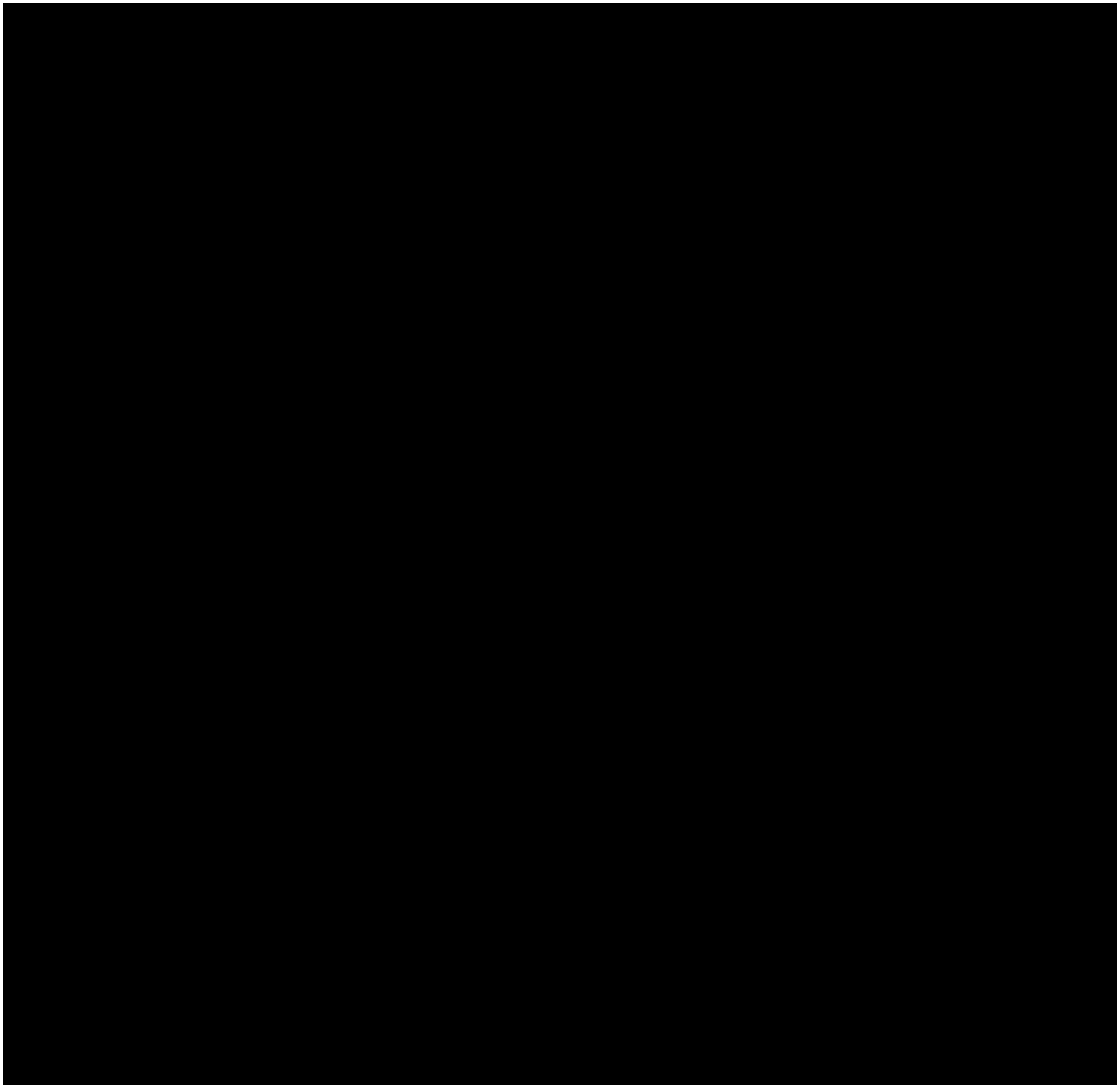
Based upon the performance audit procedures conducted and the results obtained, except for the matters described in the paragraph above, we have met our audit objectives. We conclude that for the period April 1, 2018 through April 30, 2019, the Agency had not implemented certain procedures to support and maintain the overall IT operating environment and hardware operations; but the Agency had implemented certain procedures to manage asset incident, including identifying, tracking, responding to, and reporting incidents. However, we noted internal control weaknesses in all areas of TSP IT operations controls.


We also reviewed 11 prior EBSA recommendations related to TSP IT operations 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, five recommendations have been partially implemented and remain open, and two recommendations have not been implemented and remain open. The Agency concurred with 10 prior recommendations. For prior

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

recommendation 2015-01.a, the Agency concurred and considered it closed based on subsequent activities performed by management. However, these additional activities were not subject to our audit test procedures. For the remaining prior recommendation, the Agency did not concur and we responded below.

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





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

August 30, 2019

II. OBJECTIVE, SCOPE AND METHODOLOGY

A. Objective

The U.S. Department of Labor Employee Benefits Security Administration (EBSA) engaged KPMG LLP (KPMG) to conduct a performance audit of the Thrift Savings Plan (TSP) information technology (IT) operations controls.

The objectives of this performance audit were to:

- Determine if the Agency implemented certain procedures to: (1) support and maintain the overall IT operating environment, including hardware operations and software inventory; (2) identify, track, respond, and report asset incidents; (3) schedule jobs and process batches, and (4) manage databases; including documenting data dictionaries and performing database integrity checks.
- Determine the status of the prior EBSA TSP open recommendations reported in *Performance Audit of the Thrift Savings Plan IT Operations Controls*, dated July 13, 2016.

B. Scope and Methodology

We conducted this performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and the American Institute of Certified Public Accountants' *Standards for Consulting Services*, using EBSA's *Thrift Savings Plan Fiduciary Oversight Program*. Our scope period for testing was April 1, 2018 through April 30, 2019. We performed the audit in four phases: (1) planning, (2) arranging for the engagement with the Agency, (3) testing and interviewing, and (4) report writing.

The planning phase was designed to assist team members to develop a collective understanding of the activities and controls associated with the applications, processes, and personnel involved with the TSP IT operations controls. 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 to achieve our audit objectives:

- Conducted interviews,

- Conducted process walk-throughs
- Inspected auditee-provided documentation and evidence, and performed tests of controls¹⁶.

Our performance audit procedures also included using haphazard, non-statistical sampling to select samples of the following:

- Assets located at Agency headquarters and the Agency's data center in Virginia to determine that the asset inventory was reasonably accurate; and
- Asset incident tickets to determine if those incidents were identified, tracked, and resolved.

Because we used non-statistically determined sample sizes in our sampling procedures, our results are applicable to the sample items we tested and were not extrapolated to the population.

We conducted these test procedures primarily at the Agency's headquarters in Washington, D.C. and at the Agency's contractor's location in Virginia. In Appendix B, we identify the key documentation provided by Agency and contractor personnel that we reviewed during our performance audit.

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.

¹⁶ We obtained and utilized certain information technology system settings in the test environment related to participant website controls. The Agency represented that such settings were functionally and technically the same as those in production from January 1, 2018 through December 31, 2018.

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