



Employee Benefits Security Administration

**Performance Audit of Thrift Savings Plan
Government Securities Investment Fund
Investment Operations**

December 7, 2011

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EXECUTIVE SUMMARY

Members of the Federal Retirement Thrift Investment Board
Washington, DC

Colin Kim
Director
U.S. Department of the Treasury, Office of Debt Management
Washington, DC

Ian Dingwall
Chief Accountant
U.S. Department of Labor, Employee Benefits Security Administration
Washington, DC

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) Government Securities Investment Fund (G Fund) investment operations. Our fieldwork was performed from August 10 through December 7, 2011 at the U.S. Department of the Treasury (Treasury) and the Federal Retirement Thrift Investment Board (Board). Our scope period for testing was January 1, 2010 through June 30, 2011, except our testing related to debt issuance suspension, which was January 1, 2010 through August 31, 2011.

We conducted this performance audit in accordance with the standards applicable to such audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those 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 engagement is defined in the EBSA's *Thrift Savings Plan Fiduciary Oversight Program*, which includes the Federal Employees' Retirement System Act of 1986 (FERSA), as amended, and applicable Board regulations. The detailed objectives of this engagement are enumerated within Section I.A.

The audit included assessing the TSP G Fund investment operations to determine if (1) TSP investments were promptly and accurately deposited in the G Fund; (2) G Fund investment

activity was promptly and accurately recorded and accumulated in the TSP accounting records; (3) daily G Fund investments that would have been invested or redeemed during debt issuance suspension periods were promptly and accurately reported to Treasury by maturity; (4) the G Fund interest rate and interest earned on G Fund investments were accurately calculated in accordance with FERSA; (5) G Fund investments and related earnings were accurately summarized and reported to the Board's Staff (Agency); (6) Congress and the Agency were promptly notified when a debt issuance suspension was necessary and when the suspension period ended; and (7) the G Fund was promptly and accurately restored upon expiration of a debt issuance suspension period to the state it would have been in had the suspension not occurred. In addition, we assessed compliance of the TSP investment management operations with the applicable provisions of FERSA and applicable Board regulations.

We conclude that the TSP G Fund investment operations complied with the applicable provisions of FERSA, as amended, and with applicable Board regulations during our scope period. During this period, we also noted that the Agency implemented certain procedures to promptly and accurately (1) deposit TSP investments in the G Fund; (2) record and accumulate G Fund investment activity in the TSP accounting records; and (3) report to Treasury daily G Fund investments that would have been invested or redeemed during debt issuance suspension periods. In addition, we noted that Treasury implemented certain procedures to (1) accurately calculate the G Fund interest rate and interest earned on G Fund investments; (2) accurately summarize and report G Fund investments and related earnings to the Agency; (3) promptly notify Congress and the Agency when a debt issuance suspension is necessary and when the suspension period ends; and (4) promptly and accurately restore the G Fund upon expiration of a debt issuance suspension period to the state it would have been in had the suspension not occurred.

We noted no prior recommendations, and the current engagement produced no new recommendations.

Section I of this report discusses EBSA's objective, scope and methodology, and report organization. Section II is an overview of the TSP, the TSP service providers, the Federal agencies and uniformed services, and the TSP investment management operations related to the G Fund. Section III presents our current year findings. In Appendices A and B, we identify the key personnel with whom we met and the documentation provided by Agency and Treasury personnel that we reviewed during our performance audit. Final Agency and Treasury comments are included as appendices within this report (Appendix D and E).

This performance audit did not constitute an audit of the TSP's or Treasury's financial statements in accordance with *Government Auditing Standards*. KPMG was not engaged to, and did not render an opinion on the Agency's or Treasury's internal controls over financial reporting or over financial management systems (for purposes of the Office of Management and Budget's Circular No. A-127, *Financial Management Systems*, July 23, 1993, as revised). 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.

KPMG LLP

February 1, 2012

I. INTRODUCTION

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) Government Securities Investment Fund (G Fund) investment operations.

The specific objectives of this engagement audit were to determine whether:

- TSP investments were promptly and accurately deposited in the G Fund;
- G Fund investment activity was promptly and accurately recorded and accumulated in the TSP accounting records;
- Daily G Fund investments that would have been invested or redeemed during debt issuance suspension periods were promptly and accurately reported to the U.S. Department of the Treasury (Treasury) by maturity;
- The G Fund interest rate and interest earned on G Fund investments were accurately calculated in accordance with the Federal Employees' Retirement System Act of 1986 (FERSA), as amended;
- G Fund investments and related earnings were accurately summarized and reported to the Federal Retirement Thrift Investment Board's Staff (Agency), and any errors were investigated and corrected;
- Congress and the Agency were promptly notified when a debt issuance suspension was necessary and when the suspension period ended; and
- The G Fund was promptly and accurately restored upon expiration of a debt issuance suspension period to the state it would have been in had the suspension not occurred in accordance with FERSA.

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 EBSA's *Thrift Savings Plan Fiduciary Oversight Program*. In particular, we conducted our engagement as a performance audit defined by *Government Auditing Standards*, as "an objective analysis so that management and those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee

or initiate corrective action, and contribute to public accountability.” We performed our engagement in four phases: (1) planning; (2) arranging for the engagement with the Agency and Treasury; (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 operations. Arranging the engagement included contacting the Agency and Treasury and agreeing on the timing of detailed testing procedures.

During the testing and interviewing phase, we conducted interviews, collected and inspected auditee-provided documentation and evidence, participated in process walk-throughs, and designed and performed tests of controls and compliance. We conducted these test procedures at the Agency and Treasury.

Our performance audit procedures included testing a statistical sample of the following:

- Daily investment transactions to determine if TSP investments were promptly and accurately deposited in the G Fund, related earned interest was accurately calculated, and G Fund investment activity was accurately recorded and accumulated in the TSP accounting records; and
- Debt suspension period transactions to determine if the Agency and Treasury made the required notifications for debt issuance suspension periods.

The objective of this statistical testing was to estimate the error rate for the population, as applicable, based on the error rate for a selected sample of such transactions.

Additionally, our performance audit procedures included testing a non-statistical sample of Treasury’s Notes and Bonds Trust Fund Reports to determine if the G Fund interest rate was properly calculated¹. Because we used a non-statistically determined sample size, our conclusions are applicable to the sample we tested and were not extrapolated to the population.

¹ We did not test the Treasury’s Bureau of the Public Debt’s determination of the amount of United States debt outstanding included in the selected trust fund worksheets. This information was used by the Treasury’s Office of Debt Management to calculate the G Fund interest rate, and we relied upon it without further testing.

The report-writing phase entailed drafting a preliminary report, providing a draft report to the Agency and Treasury for comment, and preparing and issuing the final report. An exit conference was not considered necessary for this engagement as no findings were identified.

C. Organization of Report

Section II includes an overview of the TSP, the TSP service providers, the Federal agencies and uniformed services, G Fund investment management operations, and related statistics. Section III presents a detailed discussion of our findings.

II. OVERVIEW OF TSP G FUND INVESTMENT MANAGEMENT OPERATIONS

A. The Thrift Savings Plan

Public Law 99-335, the Federal Employees' Retirement System Act of 1986 (FERSA), as amended, established the Thrift Savings Plan (TSP). The TSP is a basic component of the Federal Employees' Retirement System (FERS). The TSP 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 Congress and certain Congressional employees, and members of the uniformed services. For FERS participants, the TSP also provides agency automatic 1 percent and matching contributions. The TSP began accepting contributions April 1, 1987, and as of September 30, 2011, had fund balances totaling approximately \$273 billion and approximately 4.5 million participants.²

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

The TSP is required to offer five investment options: the Government Securities Investment Fund (G Fund), the Fixed Income Investment Fund (F Fund), the Common Stock Index Investment Fund (C Fund), the Small Capitalization Stock Index Fund (S Fund), and the International Stock Index Investment Fund (I Fund). FERSA requires:

- G Fund contributions to be invested in nonmarketable U.S. Treasury securities specially issued to the TSP. These securities earn interest at a rate that is equal, by law, to the average of market yields on U.S. Treasury marketable securities outstanding with 4 or more years to maturity as of the last business day of the prior month;
- F Fund contributions to be invested in insurance contracts, certificates of deposit, or other fixed income securities selected by a qualified professional asset manager;
- C Fund contributions to be invested in a stock fund designed to replicate the performance of a commonly recognized index. The index should be a reasonably complete representation of the U.S. equity markets;

² Source: Minutes of the October 17, 2011 Federal Retirement Thrift Investment Board Meeting, posted on www.frtib.gov

- S Fund contributions to be invested in a stock fund designed to replicate the performance of a commonly recognized index. The index should be a reasonably complete representation of the U.S. equity markets excluding the common stocks included in the C Fund;and
- I Fund contributions to be invested in a stock fund designed to replicate the performance of a commonly recognized index. The index should be a reasonably complete representation of the international equity markets excluding the U.S. equity markets.

Additionally, the TSP offers the L Funds, which are portfolio funds comprised of the G, F, C, S, and I Funds, using professionally determined investment mixes (allocations) that are tailored to five different time horizons.

B. The TSP Service Providers

Several organizations provide significant TSP services for the Agency under a contract or Memorandum of Understanding (MOU). These organizations provide maintenance and operations support and disaster recovery capability for the TSP recordkeeping system (TSP system), certain record keeping services, call center services, and other services. These record keeping services include establishing and maintaining individual TSP participant accounts and generating reports for all payroll offices so that they can reconcile the information processed by the TSP system with information in their systems and correct transactions rejected by the TSP system.

The TSP, through its service providers, is also responsible for processing withdrawal and loan requests, disbursing participant TSP loans, and processing loan payments withheld from participants' pay by the participants' payroll office.

Participants formally receive quarterly statements of TSP account activity from the TSP, through its service provider, electronically (default) or via hard copy (upon request). In addition, all participants receive an annual participant statement through the mail unless they opt out of the service. It is each participant's responsibility to determine that his/her TSP account activity is correct.

When participants retire or transfer, their employing agency or service is responsible for reporting the change in employment status to the TSP. Separated participants inform the TSP

directly of other changes in circumstances, such as address or marital status. Additionally, such participants should contact the TSP if questions arise.

C. The Federal Agencies and Uniformed Services

Federal agencies and the uniformed services have a responsibility to provide timely and accurate participant account information to the TSP. As part of this responsibility, agencies and services provide, receive, and process participant contributions election forms. Federal agencies and services calculate employee and agency contributions and process deductions from employees' pay for contributions and loan payments. Information for all active, recently separated, and transferred participants is submitted primarily electronically to the TSP each payroll period.

Federal agency payroll offices and uniformed services are also required to submit an Employee Data Record (06-Record) containing an appropriate separation code and date to the TSP when an employee or member separates from government service. The separation code and date provides the TSP system with information necessary to complete the processing of TSP withdrawals. Federal agency personnel offices and uniformed services are also responsible for distributing withdrawal forms or information to participants. Participants can also obtain forms and publications from the TSP website, ThriftLine, or a TSP Participant Support Representative.

D. TSP G Fund Investment Management Operations

The Agency

The G Fund is managed internally by the Agency, which is responsible for purchasing nonmarketable U.S. Treasury securities on behalf of TSP participants. Principal and interest on G Fund investments are guaranteed by the full faith and credit of the U.S. Government. To minimize G Fund market risk, the Agency has limited the investment of G Fund assets to U.S. Treasury obligations that mature the next business day. The Agency's selection of next business day maturities for G Fund investments is in accordance with the Board's policy to invest the G Fund in short-term securities.

The Agency uses the Cash Flow Investment System (CFIS) to calculate the amount of funds to be invested in the G Fund on a daily basis. The investment amount is calculated based on maturing investments, related earnings, administrative expenses, and other daily activity reported in the TSP system (e.g., contributions, withdrawals, and loan disbursements). This information

is uploaded into CFIS by the Agency's Office of Finance, and CFIS then calculates the amount to be invested in the G Fund for the current business day. The Office of Finance reviews the investment amount and then submits an investment purchase request to the U.S. Department of the Treasury (Treasury) using FedInvest³. Once the request is submitted, FedInvest produces an electronic confirmation with the details of the investment purchase. The Office of Finance then reconciles the confirmation to its records.

The G Fund and all other TSP investment funds are valued at the end of each business day, and share prices are calculated for the purpose of processing participant/account transactions in the TSP system.

Currently, the Agency has contracted with BlackRock Institutional Trust Company, N.A. (BTC) to manage assets for the F, C, S, and I Funds.

The U.S. Department of the Treasury

The Secretary of the Treasury is authorized by FERSA to issue special interest-bearing obligations for purchase by the G Fund as long as such issuances do not cause the public debt of the United States to exceed the public debt limit. These obligations bear an interest rate equal to the average market yield for all marketable interest-bearing obligations of the United States forming a part of the public debt that are not due or callable within 4 years, as of the last business day of the preceding month.

The monthly interest rate for the G Fund is calculated by Treasury's Office of Debt Management using the Treasury Debt Management System. Data entered into the system for this calculation includes:

- The outstanding face value of all marketable interest-bearing U.S. Government obligations that are not due or callable within 4 years and the related coupon rate, maturity or call date (as applicable), and settlement date . This information is obtained from the Treasury's Bureau of the Public Debt; and

³ FedInvest is a Treasury web-based application that allows Federal agencies to buy and sell securities and view their investment account activity.

- The bid prices at the close of business as of the last day business day of the prior month. These bid prices are obtained from the Federal Reserve Bank of New York and are based on a composite of bid prices reported by the major dealers in U.S. government securities.

Daily, the Bureau of the Public Debt's Office of Public Debt Accounting calculates interest on maturing G Fund investments by applying the interest rate provided by the Treasury's Office of Debt Management. Treasury then reports this information to the Agency for use in the daily valuation of the G Fund through FedInvest.

Whenever special interest-bearing obligations cannot be issued for purchase by the G Fund because of the public debt limit, Treasury is required to immediately notify Congress and the Agency in writing. Once the debt issuance suspension period expires, Treasury must immediately purchase the special interest-bearing obligations that would have been held by the G Fund and pay the related interest that would have been earned had the suspension not occurred. Treasury is also required to notify Congress and the Agency in writing that the suspension period has ended.

E. TSP G Fund Statistics

The table below represents the rate of return on each of the TSP funds for the twelve months ended June 30 for each of the last 3 years.

Exhibit II-1

| TSP Fund | 12 Months Ended June 30, 2009 (unaudited) | 12 Months Ended June 30, 2010 (unaudited) | 12 Months Ended June 30, 2011 (unaudited) |
|-----------------|--|--|--|
| G Fund | 3.32% | 3.22% | 2.63% |
| F Fund | 6.18% | 9.58% | 4.03% |
| C Fund | (26.12%) | 14.48% | 30.66% |
| S Fund | (27.94%) | 24.03% | 39.43% |
| I Fund | (31.21%) | 4.81% | 32.26% |
| L Income | (1.96%) | 5.90% | 8.30% |
| L 2010 | (5.56%) | 7.01% | (A) |
| L 2020 | (14.38%) | 10.20% | 19.43% |

| TSP Fund | 12 Months Ended June 30, 2009 (unaudited) | 12 Months Ended June 30, 2010 (unaudited) | 12 Months Ended June 30, 2011 (unaudited) |
|-----------------|--|--|--|
| L 2030 | (18.10%) | 11.64% | 23.47% |
| L 2040 | (21.42%) | 12.74% | 26.76% |
| L 2050 | (A) | (A) | (A) |

Source: Federal Retirement Thrift Investment Board minutes.

(A) The L 2010 Fund was retired on December 31, 2010. It was replaced with the L 2050 Fund, which was created on January 31, 2011. Because of the L 2050 Fund's creation date, twelve months of data were not yet available as June 30, 2011.

As of June 30, 2011, 41.29 percent (unaudited) of TSP assets were invested in the G Fund. The chart below presents a summary of TSP investments held by the G, F, C, S, I and L Funds on June 30, 2011, and the dollar changes in these balances from June 30, 2010.

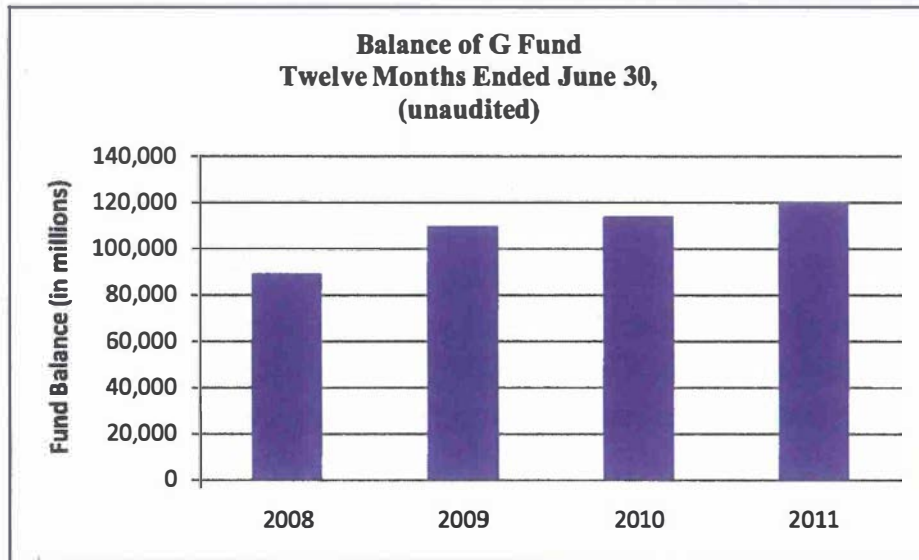
Exhibit II-2

| TSP Fund | Fund Balances June 30, 2011 (unaudited) | % of Total | Increase (Decrease) in Fund Balances from June 30, 2010 |
|--------------------------|--|-------------------|--|
| G Fund | \$119.46 billion | 41.29% | \$5.36 billion |
| F Fund | 17.32 billion | 5.99% | 0.80 billion |
| C Fund | 70.02 billion | 24.20% | 14.66 billion |
| S Fund | 25.44 billion | 8.79% | 8.43 billion |
| I Fund | 18.98 billion | 6.56% | 3.98 billion |
| L Funds | 38.11 billion | 13.17% | 9.70 billion |
| Total⁴ | \$289.33 billion | 100.00% | \$42.93 billion |

Source: Federal Retirement Thrift Investment Board minutes.

Total fund balances in the G Fund continued to increase between June 30, 2010 and June 30, 2011. During this period, fund balance of the G Fund increased 4.7 percent, from \$114.10 billion to \$119.46 billion (see Exhibit II-3).

⁴ The balances of the L Funds are invested in the underlying five funds (i.e., G, F, C, S, and I Funds).



Source: Federal Retirement Thrift Investment Board minutes.

III. FINDINGS

A. Introduction

We performed procedures related to the Thrift Savings Plan (TSP) Government Securities Investment Fund (G Fund) investment operations while conducting a performance audit at the U.S. Department of the Treasury (Treasury) and the Federal Retirement Thrift Investment Board (Board). Our scope period for testing was January 1, 2010 through June 30, 2011, except our testing related to debt issuance suspension, which was January 1, 2010 through August 31, 2011. This performance audit consisted of reviewing applicable policies and procedures and testing manual and automated processes and controls, which included interviewing key personnel (Appendix A), reviewing key reports and documentation (Appendix B), and observing selected procedures.

We conclude that the TSP G Fund investment operations complied with the applicable provisions of the Federal Employees' Retirement System Act of 1986, as amended, and with applicable Board regulations during our scope period. During this period, we also noted that the Board's Staff (Agency) implemented certain procedures to promptly and accurately (1) deposit TSP investments in the G Fund; (2) record and accumulate G Fund investment activity in the TSP accounting records; and (3) report to Treasury daily G Fund investments that would have been invested or redeemed during debt issuance suspension periods. In addition, we noted that Treasury implemented certain procedures to (1) accurately calculate the G Fund interest rate and interest earned on G Fund investments; (2) accurately summarize and report G Fund investments and related earnings to the Agency; (3) promptly notify Congress and the Agency when a debt issuance suspension is necessary and when the suspension period ends; and (4) promptly and accurately restore the G Fund upon expiration of a debt issuance suspension period to the state it would have been in had the suspension not occurred.

We noted no prior recommendations, and the current engagement produced no new recommendations.

KEY PERSONNEL INTERVIEWED

We interviewed the following key personnel regarding the Thrift Savings Plan Government Securities Investment Fund investment management operations:

- A. U.S. Department of the Treasury, Bureau of the Public Debt
 - Susan Chapman Director, Division of Federal Investments
 - Victoria Lowther Manager, Federal Investments Branch

- B. U.S. Department of the Treasury, Office of Debt Management
 - Fred Pietrangeli Deputy Director, Office of Debt Management

- C. U.S. Department of the Treasury, Office of the Fiscal Assistant Secretary
 - Dave Monroe Director, Office of Fiscal Projections

- D. U.S. Department of the Treasury, Office of Inspector General
 - Mike Fitzgerald Director of Financial Audits, Audit Branch

- E. Federal Retirement Thrift Investment Board's Staff (Agency)
 - Tracey Ray Chief Investment Officer
 - Susan Crowder Chief Accounting Officer
 - Anne Beemer Controller

- F. Government Accountability Office
 - Dawn B. Simpson Assistant Director, Financial Management and Assurance

KEY DOCUMENTATION AND REPORTS REVIEWED

Documents

FedInvest Transaction Confirmation Form for various dates
Request for Investment/Redemption for various dates
Quotations on Treasury Notes and Bonds, Treasury Office of Debt Management; various dates
Letter from Timothy F. Geithner, Secretary, Department of Treasury, to John A Boehner, Speaker of the House, United States House of Representatives, regarding debt ceiling suspensions, dated May 16, 2011
Letter from Timothy F. Geithner, Secretary, Department of Treasury, to Gregory T. Long, Executive Director, Federal Retirement Thrift Investment Board, regarding debt ceiling suspensions, dated May 16, 2011
Letter from Richard L. Gregg, Fiscal Assistant Secretary, Department of Treasury, to John A Boehner, Speaker of the House, United States House of Representatives, regarding debt ceiling suspensions, dated August 24, 2011
Letter from Richard L. Gregg, Fiscal Assistant Secretary, Department of Treasury, to Gregory T. Long, Executive Director, Federal Retirement Thrift Investment Board, regarding debt ceiling suspensions, dated August 24, 2011
Monthly Statement of the Public Debt of the United States, Treasury Bureau of Public Debt; various dates
Government Account Series, Statement of Account for Agency Fund Symbol 26-X-6153; various dates
TSP Historical Rates of Return for calendar years 2009, 2010, and 2011 through June 30, 2011
Government Securities Investment Fund Cash Flow Statement – Cumulative, various dates
GSIF Fund Monthly Reconciliation, various dates
Next Day Maturities and Earnings by Source, various dates
Thrift Savings Plan Year-to-Date (YTD) general ledger detail covering January 1, 2010 through June 30, 2011

Reports

Notes and Bonds Trust Fund Reports, Treasury Office of Market Finance; various dates
Report on the Operations and Status of the Government Securities Investment Fund May 16 to August 3, 2011, dated August 24, 2011
TSP 6007, TSP Participation Rates in the G, F, C, S, I and L Funds, various dates
Financial Audit, Bureau of the Public Debt's Fiscal Years 2010 and 2009 Schedules of Federal Debt, November 2010 (GAO-11-42)

KEY DOCUMENTATION AND REPORTS REVIEWED, CONTINUED

Report on Controls Placed in Operation and Tests of Operating Effectiveness for the Treasury Bureau of Public Debt Federal Investments Branch for the twelve months ended July 31, 2011, 2010, and 2009

United States Department of the Treasury Bureau of the Public Debt Office of Public Debt Accounting Division of Federal Investments Daily Principal Outstanding Detail Summary

ENTRANCE CONFERENCE ATTENDEES

An overall entrance conference, covering additional FY 2010 Thrift Savings Plan performance audits and proposed schedules, was held at the Agency on October 18, 2010. Attendees were as follows:

A. Federal Retirement Thrift Investment Board's Staff (Agency)

| | |
|--------------|---|
| Jim Petrick | Chief Financial Officer |
| Anne Beemer | Controller |
| Penny Moran | Director, Office of Participant Services |
| Mark Hagerty | Chief Information Officer (CIO) |
| Troy Poppe | Deputy CIO, Network Operations |
| Susan Smith | Deputy CIO, Software and Applications Management |
| Renee Wilder | Director, Research and Strategic Development |

B. Department of Labor, Employee Benefits Security Administration

| | |
|----------------|----------------------------------|
| William Bailey | Senior Auditor, FERSA Compliance |
|----------------|----------------------------------|

C. KPMG LLP

| | |
|------------------|--------------------------|
| Heather Flanagan | Partner |
| Jim DeVaul | Partner |
| Derek Thomas | Manager |
| Greg Schuster | Manager |
| Michele Ho | Computer Systems Analyst |
| Rebecca Rider | Senior Accountant |

ENTRANCE CONFERENCE ATTENDEES, CONTINUED

An entrance conference covering the TSP Government Securities Investment Fund investment management operations was held at the U.S. Department of the Treasury on August 10, 2011. Attendees were as follows:

A. Federal Retirement Thrift Investment Board's Staff (Agency)

| | |
|--------------------|------------------|
| Anne Beemer | Controller |
| Karrenthya Simmons | Internal Auditor |

B. U.S. Department of the Treasury, Office of Debt Management

| | |
|-------------------|-----------------|
| Fred Pietrangeli | Deputy Director |
| Christine DeSabra | Economist |

C. KPMGdLLP

| | |
|------------------|------------------|
| Heather Flanagan | Partner |
| Matt Robarge | Supervisor |
| Tyrone Allmond | Supervisor |
| Brittany Grant | Staff Accountant |

AGENCY'S COMMENTS TO THE FINAL REPORT



FEDERAL RETIREMENT THRIFT INVESTMENT BOARD
1250 H Street, NW Washington, DC 20005

February 1, 2012

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

Dear Ian:

This is in response to your email of January 30, 2012, transmitting the KPMG LLP report entitled Employee Benefits Security Administration Performance Audit of the Thrift Savings Plan Government Securities Investment Fund Operations, dated December 7, 2011. My comments with respect to this report are enclosed.

We are pleased to note that the auditors concluded during the FY2011 audit that the TSP Government Securities Investment Fund complied with FERSA and with applicable Board regulations and bulletins for the period January 1, 2011 through December 31, 2011. We are very pleased to note that there are no audit recommendations.

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,

A handwritten signature in black ink, appearing to read "G. Long", is written over the typed name.

Gregory T. Long

Enclosure

AGENCY'S COMMENTS TO THE FINAL REPORT, CONTINUED

**Executive Director's Staff Comments on the
Employee Benefits Security Administration's Performance of the
Thrift Savings Plan Government Securities Investment Fund Investment Operations
Dated December 7, 2011**

Recommendations to Address Fundamental Controls:

2011 Recommendations: None

Recommendations to Enhance Efficiency and Effectiveness:

2011 Recommendations: None

Recommendations – Other:

2011 Recommendations: None



TREASURY'S COMMENTS TO THE FINAL REPORT

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220
February 1, 2012

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

Dear Mr. Dingwall:

Thank you for the opportunity to review and comment on the EBSA audit report as it relates to the Treasury Office of Debt Management's determination of the G-Fund rate and related operations.

We note that the report finds:

"We conclude that the TSP G Fund investment operations complied with the applicable provisions of FERSA, as amended, and with applicable Board regulations during our scope period. During this period, we also noted that the Agency implemented certain procedures to promptly and accurately (1) deposit TSP investments in the G Fund; (2) record and accumulate G Fund investment activity in the TSP accounting records; and (3) report to Treasury daily G Fund investments that would have been invested or redeemed during debt issuance suspension periods. In addition, we noted that Treasury implemented certain procedures to (1) accurately calculate the G Fund interest rate and interest earned on G Fund investments; (2) accurately summarize and report G Fund investments and related earnings to the Agency; (3) promptly notify Congress and the Agency when a debt issuance suspension is necessary and when the suspension period ends; and (4) promptly and accurately restore the G Fund upon expiration of a debt issuance suspension period to the state it would have been in had the suspension not occurred.

We noted no prior recommendations, and the current engagement produced no new recommendations."

We agree with these findings and have no comments to add to the report.

Sincerely,

A handwritten signature in black ink, appearing to read "Fred Pietrangeli", written over a horizontal line.

Fred Pietrangeli
Deputy Director
Office of Debt Management
U.S. Treasury Department