



Employee Benefits Security Administration

Performance Audit of the Payroll Service Provider Thrift Savings Plan Operations at the U.S. Department of Agriculture's National Finance Center

August 9, 2024

TABLE OF CONTENTS

<u>Section</u>	<u>Page</u>
EXECUTIVE SUMMARY	i
I. BACKGROUND OF THE TSP AND THE NFC’S TSP OPERATIONS	I.1
A. The Thrift Savings Plan	I.1
B. Overview of the NFC’s TSP Operations	I.1
C. TSP Account Maintenance Activities at NFC	I.2
D. TSP Loan Overview and Loan Payment Processing at NFC.....	I.5
E. TSP Separations and Withdrawals Processing at NFC.....	I.6
F. TSP Participation Statistics.....	I.6
II. OBJECTIVES, SCOPE, AND METHODOLOGY	II.1
A. Objectives	II.1
B. Scope and Methodology	II.1
III. FINDINGS AND RECOMMENDATIONS	III.1
A. Introduction.....	III.1
B. Finding and Recommendation from Prior Reports.....	III.2
C. 2024 Findings.....	III.3
<u>Appendices</u>	
A. Agency’s Response.....	A.1
B. Key Documentation and Reports Reviewed.....	B.1

EXECUTIVE SUMMARY

Michael Jackson

Director

U.S. Department of Agriculture, National Finance Center

New Orleans, LA

Michael Auerbach

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 U.S. Department of Agriculture's National Finance Center's (NFC) Thrift Savings Plan (TSP) operations as a payroll service provider for other Federal agencies. Our fieldwork was performed primarily remotely from February 19, 2024, through May 23, 2024. Our scope period for testing was January 1, 2023, through December 31, 2023.

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

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

- Determine whether the payroll service provider implemented certain procedures to 1) calculate and process employee contributions and loan payments accurately and timely in accordance with employees' elections; 2) transmit employee separation data to the TSP timely and accurately; 3) properly characterize employee TSP contributions as tax-deferred or Roth; 4) process

adjustments owed by Federal agencies to the TSP; and 5) reconcile contributions for employees reported to the TSP to the U.S. Department of the Treasury clearing accounts; and

- Test compliance of the payroll service provider’s TSP operations with 5 USC 8432(a)(c)(d-f) (hereinafter referred to as the Federal Employees’ Retirement System Act of 1986 (FERSA)), and 5 CFR 1600.11, 1600.12(b)(c)(d)(e), 1600.19(a-b), 1600.20, 1600.21, 1600.23, 1600.34, 1605.11, 1605.12, 1605.14, 1605.15, 1605.16, 1605.17, 1620.3, 1620.42, 1650.21, and 1655.14 (hereinafter referred to as Regulations).

We present one new finding, outlined in Section III.C, that addresses other controls. Fundamental control findings and 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 findings and recommendations address procedures or processes that are less significant than fundamental controls. The current performance audit produced no new 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, 2023, through December 31, 2023, NFC implemented certain procedures to (1) calculate and process employee contributions and loan payments accurately and timely in accordance with employee elections; (2) transmit employee separation data to the TSP timely and accurately; (3) properly characterize employee TSP contributions as tax-deferred or Roth; (4) process adjustments owed by Federal agencies to the TSP; and (5) reconcile contributions for employees reported to the TSP to the U.S. Department of the Treasury clearing accounts. The current engagement produced no new recommendations.

As a result of our compliance testing, we did not identify any instances of noncompliance with applicable provisions of FERSA or the Regulations in the NFC’s TSP operations.

We also reviewed one prior EBSA recommendation related to TSP operations at NFC to determine its current status. Section III.B documents the status of the prior recommendation. In summary, the recommendation has been implemented and closed.

NFC’s response is included as an appendix within this report (Appendix A).

This performance audit did not constitute an audit of the TSP’s or NFC’s financial statements or an

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

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 NFC'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 NFC management. The report is not intended to be, and should not be, used by anyone other than these specified parties.

KPMG LLP

August 9, 2024

I. BACKGROUND OF THE TSP AND NFC'S TSP OPERATIONS

A. The Thrift Savings Plan

Public Law 99-335, the Federal Employees' Retirement System Act of 1986 (the Act), as amended, 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 December 31, 2023, had approximately \$845 billion in assets and approximately 7.0 million participants².

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

B. Overview of the NFC's TSP Operations³

The National Finance Center (NFC) is a Federal shared services provider within the U.S. Department of Agriculture (Agriculture). NFC is an employing Federal agency and also processes payroll transactions (including TSP) for all of Agriculture and over 125 customers, which include other Federal agencies such as the U.S. Departments of the Treasury, Justice, Labor, and Homeland Security.

NFC maintains its own personnel office to initiate, process, and record personnel transactions for its own employees through the EmpowHR system. Each of the NFC's customers has its own personnel office(s) to initiate, process, and record personnel actions for the customer's employees through EmpowHR, Web-based Entry Processing, Inquiry, and Correction System (EPIC Web), or the customer's own personnel system.

² Source: Minutes of the Federal Retirement Thrift Investment Board meeting held on January 23, 2024, posted on www.frtib.gov.

³ Sources: NFC reports and operating procedures.

NFC's payroll operations personnel initiate, process, and record payroll (including TSP) transactions for NFC employees and NFC's customers' employees.

C. TSP Account Maintenance Activities at NFC

1. TSP Elections⁴

Participants may elect to make traditional, tax-deferred or after-tax Roth TSP contributions. Participants elect a percentage of basic pay, up to 100 percent, to contribute to traditional or Roth TSP accounts. The participants may change their contribution elections at any time.

A participant's total traditional and Roth TSP contributions cannot exceed the Internal Revenue Code (IRC) 402(g) annual elective deferral limit, which was \$22,500 in 2023. However, catch-up contributions are payroll deductions that participants who are age 50 or older may be eligible to make in addition to regular participant contributions. These contributions are voluntary and can be either traditional or Roth. To be eligible to make catch-up contributions, the participants must already be contributing an amount that will reach the IRC elective deferral limit by the end of the year. Catch-up contributions are subject to a catch-up contribution limit, which was \$7,500 for 2023 and is separate from the IRC's elective deferral limit.

2. TSP Elections Processing and Submission to the TSP System⁵

A participant initiates a TSP contribution by making a TSP election in one of the following ways:

- The participant can log into the Employee Personal Page (*myEPP*), an NFC front-end application that allows participants to initiate a TSP election. *myEPP* allows users to view, enter, or modify certain personnel or payroll-related information, such as name, address, and benefits information including TSP elections.
- The participant can manually complete a hard-copy Form TSP-1, *Election Form*, and submit it to the participant's personnel office. Based on the completed form, the personnel office staff manually enters the TSP elections into EmpowHR, EPIC Web, or that agency's own personnel system.

⁴ Sources: Internal Revenue Code §402(g) and 414(v); also available on the "Contribution Limits" page on TSP.gov.

⁵ Sources: NFC personnel and payroll processing standard operating procedures.

TSP elections, along with certain other participant information, interface from EmpowHR, EPIC Web, customer agency personnel systems, or *myEPP* into NFC's Corporate Database. NFC's Payroll Computation System (PAYE) calculates net payroll disbursements based on the information in the Payroll/Personnel Corporate Database. NFC's Payroll Accounting System (PACS), the back-end system to PAYE, calculates TSP contributions and transmits TSP elections and certain other TSP participant data through the Bi-weekly Examination, Analysis and Reporting system (BEAR) to the TSP recordkeeping system (TSP system). This information establishes the TSP's employee data record (EDR). The EDR contains non-financial personnel information relevant to the TSP for purposes of managing the participant's TSP account, such as TSP elections, participant name, and mailing address. The EDR is maintained within the TSP system. Updates to the EDR occur when a participant updates personal information or contributions elections via *myEPP* or hard-copy forms as described above, or when NFC or customers process changes to other personnel information, such as employment code or employment status.

3. TSP Contributions Processing⁶

The main drivers of a participant's TSP contributions are the participant's TSP contribution elections, as discussed above, and pay. Basic pay is a function of the participant's grade and step. Other types of pay are received as the participant qualifies for them. The U.S. Office of Personnel Management publishes the Federal civilian pay tables on its website.

NFC payroll operations personnel submit TSP contributions and other TSP adjustments to the TSP system via a transfer of funds journal voucher through the Form TSP-2, *Certification of Transfer Journal Voucher*, on TSP.gov. Participants' TSP contributions are processed on a voucher during each bi-weekly pay period. NFC payroll operations personnel process a voucher any time a TSP contribution or adjustment is made.

The TSP system requires all voucher submissions to be electronically signed by the preparer and a certifier. NFC Payroll Certification and Recertification Reconciliation Branch (PCRRB) financial analysts typically prepare the vouchers, while Treasury Certifying Officers or the supervisor (also a Treasury Certifying Officer) certify the vouchers. The preparer and certifier cannot be the same user. The Agency manages the TSP.gov application, the TSP system, and the TSP system access rights.

⁶ Sources: NFC personnel and payroll processing operating procedures.

4. TSP Reject Reports⁷

After each voucher submission, the TSP system rejects any transactions that triggered a discrepancy between the EDR in the TSP system and the data submitted on the voucher. The rejects are reported back to NFC on the TSP 1701, *Error Report*. Contributions or other adjustments will not process in the TSP system if rejected back to NFC.

NFC Tax and Benefits Processing Branch (TBPB) personnel review the TSP 1701 reports and research all rejects that require attention. Those that require attention must be corrected and submitted on another voucher. If the correction is valid, the TSP system will accept the data. If the correction is invalid, it will be rejected again and reported on the following TSP 1701.

5. Breakage and Negative Adjustments⁸

Participants may be entitled to breakage when they miss a payment because of an NFC, employing agency, or TSP error and a correction is not made within 30 days. Breakage is a contribution made to the participant's TSP account to make the account "whole," considering the missed contribution amount plus or minus any gain or loss that occurred in the market. Breakage is most commonly the result of missed agency contributions (i.e., automatic 1% or matching contributions). For example, a civilian employee on extended military leave will not receive agency automatic or matching contributions while on leave; upon return to his/her civilian agency, such contributions will be retroactively applied and breakage calculated.

Breakage claims are initiated by the employee's agency via the ServiceNow system and submitted to the TBPB for administrative, military, and retirement corrections. TBPB researches and calculates the missed employee contributions and submits a request to initiate the collection to NFC payroll operations via the Special Payroll Processing System. Once processed, the missed employee contributions are captured in the PACS 952 report, Listing of Retro Collection TSP Amounts. These collections are then submitted to the TSP to calculate breakage via the bi-weekly Form TSP-2 journal voucher submission.

NFC payroll operations may also process negative adjustments to participant TSP accounts. Negative adjustments occur when a participant over-contributes to his/her TSP account because of

⁷ Source: NFC operating procedures.

⁸ Source: NFC and Agency operating procedures.

salary or other payroll errors, such as receipt of a duplicate bonus or untimely separation processing. The employing Federal agency personnel office submits a negative adjustment request to NFC payroll operations for processing. NFC payroll operations processes negative adjustments and submits them to the TSP via the bi-weekly Form TSP-2 journal voucher submission.

6. TSP Clearing Account Reconciliation⁹

The monthly TSP 1702, *Payroll Office of Journal Voucher Processing Report*, presents a summary of contributions processed by the TSP system, including negative adjustments and breakage claimed by TSP during the month. These amounts are included in the overall balance in NFC's clearing account. In addition, TBPB personnel review the TSP 5014, Breakage by Agency Accounting Number, and TSP 31504, Summary Report of Negative Adjustments Processed, reports, which present breakage and negative adjustments details, respectively, for the month.

On a biweekly basis, NFC's PCRRB personnel reconcile NFC's clearing account to the balance reported by the Treasury on the Government-Wide Account Statements (GWA). NFC's clearing account includes TSP contributions and all other NFC disbursing and collections activity. PCRRB personnel work with payroll operations personnel to resolve any differences identified in the reconciliation process.

D. TSP Loan Overview and Loan Payment Processing at NFC¹⁰

TSP loans allow participants access to the money in their TSP account before they retire under certain circumstances. Participants apply and are approved for loans through the Agency. The following criteria must be met for a participant to obtain a TSP loan:

- Participant has at least \$1,000 of personal contributions and associated earnings in the account;
- Participant is currently employed by a Federal agency;
- Participant is in pay status because payments are subsequently deducted from the participant's pay to repay the loan;
- Participant has not repaid a TSP loan (of any type) in full within the past 30 business days; and
- Participant must not have a court order against the participant's TSP account.

⁹ Source: NFC operating procedures.

¹⁰ Source: *Summary of the Thrift Savings Plan Booklet* and *Loans Booklet*, both available at www.TSP.gov.

The amount of a TSP loan must be at least \$1,000 but cannot exceed the amount of the participant's own contributions and earnings from those contributions. If approved, loans are disbursed from the participant's TSP account. The TSP system reports the loan payment amounts that payroll offices must deduct and report to the TSP via the TSP 19401, *Loan Status Report*. PAYE processes the loan payments as allotments from a participant's pay. When the TSP system reports a \$0 loan payment amount via the TSP 19401 report, PAYE is configured to stop loan payments.

E. TSP Separations and Withdrawals Processing at NFC¹¹

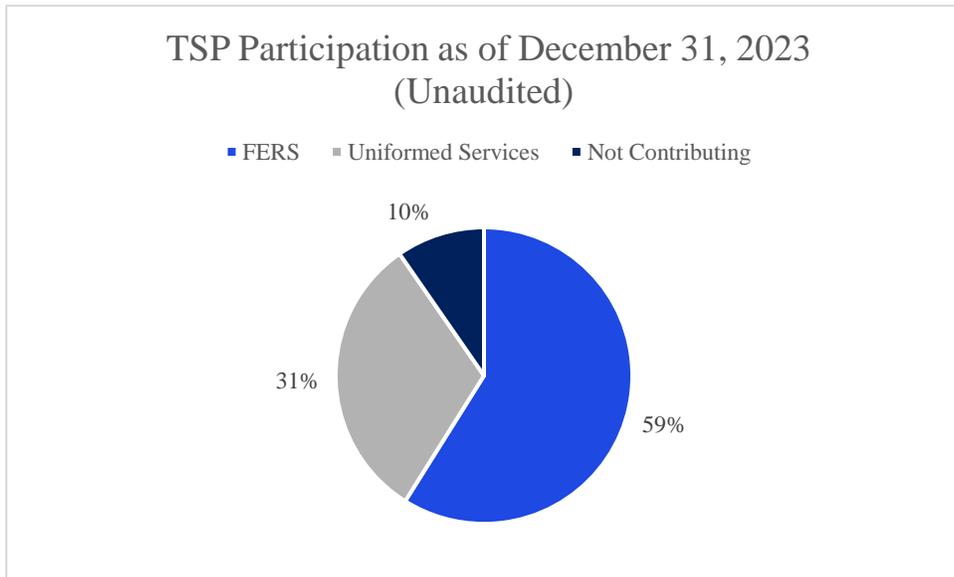
Separation processing is similar to the TSP elections process described in section I.C.2 of this report. Separations from Federal service are initiated at NFC's or NFC's customers' personnel offices by processing separation actions. BEAR interfaces with the TSP system after payroll is processed, which automatically triggers TSP contribution stops in PACS upon the participant's separation from Federal service. The TSP system updates the participant's EDR as it receives updated employment status information via file transfer from BEAR.

F. TSP Participation Statistics[■]

There were approximately 4.1 million FERS and uniformed service participants actively contributing to TSP as of December 31, 2023. FERS participants comprise approximately 59 percent of the 4.1 million participants actively contributing, as illustrated in Exhibit I-1.

¹¹ Source: NFC operating procedures.





Active participants shown in the chart above consist of participants receiving agency automatic contributions only and FERS and uniformed service participants making their own contributions. The number of participants actively contributing to the TSP, as a percentage of all the TSP participants, has remained consistent since January 1, 2023 (i.e., the beginning of our audit scope period).

FERS participants have historically contributed to the TSP at a higher rate than uniformed service members. Approximately 95 percent of FERS participants contributed to the TSP between January 1, 2023 and December 31, 2023 (see Exhibit I-2), while 83 percent of uniformed service members contributed during the same period. However, as illustrated in Exhibit I-3, contributing participants have a lower average Roth balance as a percentage of their total TSP balance as of December 31, 2023.

Exhibit I-2

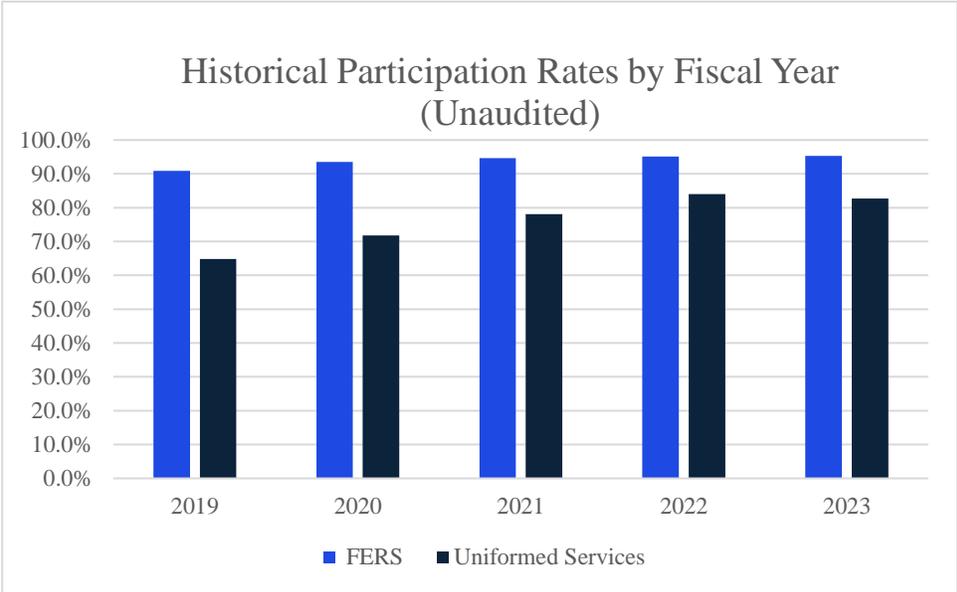
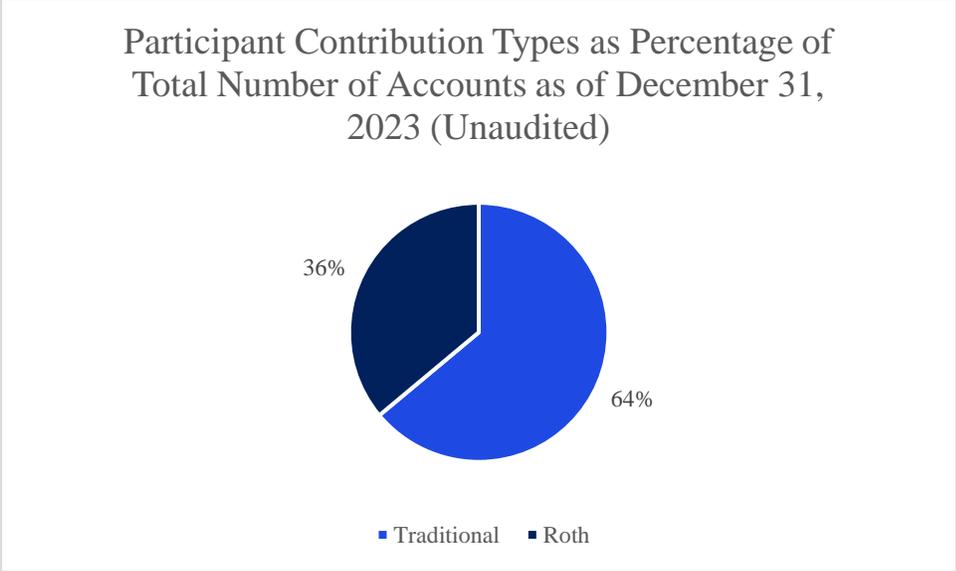


Exhibit I-3



II. OBJECTIVES, SCOPE, AND METHODOLOGY

A. Objectives

The U.S. Department of Labor Employee Benefits Security Administration (EBSA) engaged KPMG LLP to conduct a performance audit of the U.S. Department of Agriculture's National Finance Center's (NFC) Thrift Savings Plan (TSP) operations as a payroll service provider for other Federal agencies.

The objectives of our audit over NFC TSP operations were to:

- Determine whether the payroll service provider implemented certain procedures to 1) calculate and process employee contributions and loan payments accurately and timely in accordance with employee elections; 2) transmit employee separation data to the TSP timely and accurately; 3) properly characterize employee TSP contributions as tax-deferred or Roth; 4) process adjustments owed by Federal agencies to the TSP; and 5) reconcile contributions for employees reported to the TSP to the U.S. Department of the Treasury clearing accounts; and
- Test compliance of the payroll service provider's TSP operations with 5 USC 8432(a)(c)(d-f) (hereinafter referred to as Federal Employees' Retirement System Act of 1986 (FERSA)), and 5 CFR 1600.11, 1600.12(b)(c)(d)(e), 1600.19(a-b), 1600.20, 1600.21, 1600.23, 1600.34, 1605.11, 1605.12, 1605.14, 1605.15, 1605.16, 1605.17, 1620.3, 1620.42, 1650.21, and 1655.14 (hereinafter referred to as Regulations).

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, 2023, through December 31, 2023. We performed the audit in four phases: (1) planning, (2) arranging for engagement with the NFC, (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 NFC payroll operations. Arranging the engagement included contacting NFC 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 controls¹³ and compliance. We conducted these test procedures primarily remotely in coordination with personnel primarily from the NFC personnel headquarters in New Orleans, LA, the Agency's headquarters in Washington, DC, and its vendor's headquarters in Arlington, VA. In Appendix B, we identify the key NFC and Agency documentation and reports provided by the aforementioned personnel that we reviewed during our performance audit.

Our performance audit procedures included using random attribute sampling to select specific samples related to NFC's TSP-related transactions for the period January 1, 2023, through December 31, 2023, which we used to determine if NFC processed TSP-related transactions in a manner that complied with FERSA and the Regulations. We selected the following samples in this manner:

- Total agency TSP contributions per pay period from January 1, 2023, through December 31, 2023
- Catch-up contributions made during the period of January 1, 2023, through December 31, 2023
- TSP participant separations during the period of January 1, 2023, through December 31, 2023
- NFC TSP participant separations during the period of January 1, 2023, through December 31, 2023
- Active NFC-serviced TSP participants during the period of January 1, 2023, through December 31, 2023

¹³ We observed certain automated controls in the NFC environment subsequent to the scope period due to timing. NFC represented that such controls were functionally and technically the same as those designed and operating during the scope period of January 1, 2023, through December 31, 2023. Additionally, we reviewed the change management report provided by NFC and noted no changes implemented during the scope period.

- New TSP loans processed for NFC-serviced participants during the period of January 1, 2023, through December 31, 2023
- Active TSP loans for NFC-serviced participants during the period of January 1, 2023, through December 31, 2023
- Terminated TSP loans for NFC-serviced participants during the period of January 1, 2023, through December 31, 2023
- NFC-serviced TSP participants who made Roth TSP contributions during the period of January 1, 2023, through December 31, 2023
- NFC-serviced agency TSP contributions during the period of January 1, 2023, through December 31, 2023
- Breakage reports during the period of January 1, 2023, through December 31, 2023
- 1701 Error Reports during the period January 1, 2023, through December 31, 2023

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

Criteria used for this engagement are defined in EBSA's *Thrift Savings Plan Fiduciary Oversight Program*, which includes USC Title 5, Chapter 84, and the 5 CFR 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) processes while conducting a performance audit primarily remotely related to TSP operations at the U.S. Department of Agriculture's National Finance Center (NFC). Our scope period for testing was January 1, 2023, through December 31, 2023. This performance audit consisted of reviewing applicable policies and procedures and testing manual and automated processes and controls, which included interviewing key personnel, reviewing key reports and documentation (Appendix B), and observing selected procedures.

Based upon the performance audit procedures conducted and the results obtained, we have met our audit objectives. We conclude that for the period January 1, 2023, through December 31, 2023, NFC implemented certain procedures to (1) calculate and process employee contributions and loan payments accurately and timely in accordance with employee elections; 2) transmit employee separation data to the TSP timely and accurately; 3) properly characterize employee TSP contributions as tax-deferred or Roth; 4) process adjustments owed by Federal agencies to the TSP; and 5) reconcile contributions for employees reported to the TSP to the U.S. Department of the Treasury clearing accounts.

As a result of our compliance testing, we did not identify any instances of noncompliance with applicable provisions of 5 USC 8432(a)(c)(d-f) (hereinafter referred to as Federal Employees' Retirement System Act of 1986 (FERSA)), and 5 CFR 1600.11, 1600.12(b)(c)(d)(e), 1600.19(a-b), 1600.20, 1600.21, 1600.23, 1600.34, 1605.11, 1605.12, 1605.14, 1605.15, 1605.16, 1605.17, 1620.3, 1620.42, 1650.21, and 1655.14 (hereinafter referred to as Regulations), in NFC's TSP operations.

We also reviewed one prior U.S. Department of Labor Employee Benefits Security Administration (EBSA) recommendation related to TSP operations at NFC to determine its current status. Section III.B documents the status of the prior recommendation. In summary, the recommendation has been implemented and closed.

We present one new finding, outlined in Section III.C, that addresses other controls. The current performance audit produced no new recommendations. Fundamental control findings and recommendations address significant procedures or processes that have been designed and operate

to reduce the risk that material intentional or unintentional processing errors could occur without timely detection or that assets are inadequately safeguarded against loss. Other control findings and recommendations address procedures or processes that are less significant than fundamental controls. The NFC's response is included as an appendix within this report (Appendix A).

B. Finding and Recommendation from Prior Reports

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

2010 NFC Recommendation:

Title: Timely Reporting of Employment Codes and Dates upon Separation

Original Recommendation: NFC's Human Resources Management Staff should develop and implement procedures to improve timeliness of the submission of change in employment codes and dates upon separation and to notify separated participants of unusual delays in submitting this information to the TSP.

Reason for Recommendation: For ████████ separated NFC employees non-statistically selected during our 2010 withdrawals testwork, the participants' updated employment code and date were not provided by the Human Resources Management Staff to NFC's Government Employees Services Division for transmittal to the TSP within 30 days of separation.

Status: **Implemented.**
During our current year audit procedures over withdrawals, we noted that NFC developed and implemented policies and procedures to address the timeliness of the submissions related to changes in employment codes and dates for separated employees. In addition, we tested a sample of ████████ TSP participants who had separated from the NFC in 2023. Based on our testing, we determined that NFC had improved the timeliness of their submissions related to changes in employment codes and dates.

Disposition: **Recommendation Closed.**

C. 2024 Findings

While conducting our performance audit of TSP operations at NFC, we identified [REDACTED] other control finding without a related recommendation.

OTHER CONTROL FINDING WITHOUT A RECOMMENDATION

Timely Reporting of Employee Data Records upon Separation by Employing Agencies

During our current year audit procedures, we selected a sample of [REDACTED] TSP participants that separated from their employer agency in 2023. In testing the [REDACTED] participants, we noted [REDACTED] instances in which the participant's employee data record with the updated employment code and date were not provided to the TSP system within two pay periods of the employee's separation.

This matter occurred because NFC depends on each separate employing agency's internal processes to submit their respective employee data records to NFC in a timely manner. We did note that NFC provided the participant's updated employment code and date to the TSP system within two weeks of the date they were received. Therefore, we did not consider a recommendation to NFC necessary related to this finding.

Code of Federal Regulations (CFR) 1650.21 states:

When a TSP participant separates from Government service, his or her employing agency must report the separation and the date of separation to the TSP record keeper. Until the TSP record keeper receives this information from the employing agency, it will not pay a post-employment withdrawal.

TSP Booklet, *Withdrawing Your TSP Account After Leaving Federal Service*, states:

Your agency or service must notify the TSP that you have separated from service and provide the date of your separation. The agency or service ordinarily provides this information to the TSP at the time it pays the last paycheck to a separated employee or service member. In most cases, this will be between 2 and 4 weeks after the actual date of separation.

AGENCY'S RESPONSE



United States
Department of
Agriculture

Office of the
Chief Financial
Officer

National
Finance
Center

P.O. Box 60000
New Orleans
Louisiana 70160

August 9, 2024

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

Dear Mr. Auerbach,

The National Finance Center (NFC) appreciates the opportunity to respond to the draft report, "Performance Audit of the Payroll Service Provider Thrift Savings Plan Operations at the U.S. Department of Agriculture's National Finance Center" and generally concurs with the report.

NFC values the importance of the Department of Labor's oversight of the responsibilities of Thrift Savings Plan fiduciaries and continually strives to strengthen management and technical controls over the services provided to our customers and their employees.

We look forward to receiving the final report.

Respectfully,

**MICHAEL
JACKSON**

Digitally signed by
MICHAEL JACKSON
Date: 2024.08.09 12:23:18
-05'00'

MICHAEL J. JACKSON
Director

"An Equal Opportunity Employer"

Federal Retirement Thrift Investment Board’s (FRTIB) Staff (Agency) Documents, Reports, and Sources

- *Minutes of the Meeting of the Board Members* for the monthly FRTIB meetings that occurred during the period of January 2023 through January 2024
- Thrift Savings Plan (TSP) website
- TSP Bulletins
- TSP Status Code Listing

National Finance Center’s (NFC’s) Documents and Reports¹⁴

- TSP-2, *Certification of Transfer of Funds Journal Voucher*, various dates during the period January 1, 2023 – December 31, 2023
- TSP 1701, *Error Reports*, various dates during the period January 1, 2023 – December 31, 2023
- TSP 1701 Reject (Error) Code Listing
- TSP 1702, *Payroll Office Recap of Journal Voucher Processing*, Reports, various dates during the period January 1, 2023 – December 31, 2023
- TSP 19401, *Loan Status Report*, various dates during the period January 1, 2023 – December 31, 2023
- TSP 5014, *Breakage by Agency Accounting Number Report*, various dates during the period January 1, 2023 – December 31, 2023
- TSP 31504, *Summary Report of Negative Adjustments Processed*, various dates during the period January 1, 2023 – December 31, 2023
- Form AD-334, *Statement of Earnings and Leave*, various dates during the period January 1, 2023 – December 31, 2023
- List of Agency Codes Serviced by the NFC
- Special Payroll Processing Reports (breakage documentation), various dates during the period January 1, 2023 – December 31, 2023
- TSP Transaction History, various sampled participants during the period January 1, 2023 – December 31, 2023

¹⁴ The TSP forms are Agency documents; however, we considered them NFC documents in this Appendix because we received completed TSP forms from NFC personnel. Similarly, the data on the TSP reports is generated from the TSP system; however, we received the reports from NFC.

KEY DOCUMENTATION AND REPORTS REVIEWED, CONTINUED

- Employee Data Records, various sampled participants during the period January 1, 2023 – December 31, 2023
- Payroll Accounting System (PACS) PQ056, Thrift Savings screens, various sampled participants during the period January 1, 2023 – December 31, 2023
- PACS PQ083, Allotments screens, various sampled participants during the period January 1, 2023 – December 31, 2023
- PACS 952 report, Listing of Retro Collection TSP Amounts, various sampled participants during the period January 1, 2023 – December 31, 2023
- Payroll processing IT systems diagram
- NFC system screenshots during the period January 1, 2023 – December 31, 2023

Other Documents and Reports

- System and Organization Controls 1 Type 2 Report on National Finance Center's Description of Its Payroll and Personnel Systems and the Suitability of the Design and Operating Effectiveness of Its Controls for the period October 1, 2022 through June 30, 2023
- Internal Revenue Code §402(g) and 414(v)