



Employee Benefits Security Administration

Performance Audit of the Thrift Savings Plan Account Maintenance Process

September 4, 2024

TABLE OF CONTENTS

<u>Section</u>	<u>Page</u>
EXECUTIVE SUMMARY	i
I. BACKGROUND OF THE ACCOUNT MAINTENANCE PROCESS.....	I.1
A. The Thrift Savings Plan	I.1
B. TSP System.....	I.1
C. Overview of the TSP Account Maintenance Process	I.2
D. TSP Account Maintenance Statistics	I.10
II. OBJECTIVES, SCOPE, AND METHODOLOGY	II.1
A. Objectives	II.1
B. Scope and Methodology	II.2
III. FINDINGS AND RECOMMENDATIONS	III.1
A. Introduction.....	III.1
B. 2024 Findings and Recommendations	III.2
C. Other Results.....	III.29
D. Summary of Open Recommendations	III.34
 <u>Appendices</u>	
A. Agency’s Response.....	A.1
B. Key Documentation and Reports Reviewed	B.1

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) account maintenance process. Our fieldwork was performed remotely from January 16, 2024, through June 21, 2024, in coordination with personnel primarily from the Federal Retirement Thrift Investment Board Staff's (Agency) headquarters in Washington, D.C., including their vendor support personnel. Our scope period for testing was January 1, 2023, through February 29, 2024.

We conducted this performance audit in accordance with the performance audit standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the American Institute of Certified Public Accountants' (AICPA) *Standards for Consulting Services*. *Government Auditing Standards* require that we plan and perform the audit to obtain sufficient, appropriate audit evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives. Criteria used for this audit are defined in 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 TSP account maintenance process were to:

- Determine whether the Agency and its vendor implemented certain procedures to (1) accurately reflect in participant accounts contributions as elected by participants, daily valuation, and the fund balances; (2) process TSP contributions, rollovers, breakage, adjustments, interfund transfers, forfeitures, and forfeitures restorations promptly and

accurately in individual participant accounts and in the appropriate investment fund(s); (3) monitor manual adjustments made to transactions and participant accounts; (4) accurately record account maintenance activity in the TSP accounting records; (5) monitor for and detect potential fraudulent activity associated with participant accounts; (6) investigate and resolve potential fraudulent activity identified internally and/or reported by participants; and (7) revise or augment preventative procedures when fraudulent activity or other risk factors are identified; and

- Test compliance of the TSP account maintenance process with 5 USC 8432(a)(3), 8432(b)(1)-(2), 8432(d), 8432(g)(1)-(3), 8438(c)(2), and 8439(d) (hereinafter referred to as FERSA), and 5 CFR 1600.11, 1600.12, 1600.13, 1600.14, 1600.18, 1600.19, 1600.21, 1600.22, 1600.23, 1600.30(c), 1600.31, 1600.32, 1600.33(a)-(g), 1600.34(a)-(b), 1600.35(a)-(b), 1600.37, 1601.12, 1601.13(a)(2)-(3) and (5), 1601.22(a)-(b), 1601.23(a)-(b), 1601.32, 1601.33, 1601.34, 1603.2, 1603.3, 1605.2(a)-(e), 1605.3, 1605.11(b)-(c), 1605.12(a)-(f), 1605.13(a)(3), 1605.14(a)-(b), 1605.15(c), 1605.16(c), 1605.21(b), 1605.22(b)-(c), 1605.31(d), 1620.44, 1620.46(e), 1640.2, 1645.2, 1650.5, 1650.11(b)-(c), 1651.3(a)-(d), 1651.4, 1651.19(m)(4), and 1651.19(j).

We present 13 new findings and 19 related recommendations, of which 14 address fundamental controls and 5 address “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. These recommendations are intended to strengthen the TSP account maintenance process. The Agency should review and consider these recommendations for timely implementation. Section III.B 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, 2023, through February 29, 2024, the Agency and its vendor implemented certain procedures to (1) accurately reflect in participant accounts contributions as elected by participants, daily valuation, and the fund balances; (2) process TSP contributions, rollovers, breakage, adjustments, interfund transfers, forfeitures, and forfeitures restorations promptly and accurately in individual participant accounts and in the

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

appropriate investment fund(s); (3) monitor manual adjustments made to transactions and participant accounts; (4) accurately record account maintenance activity in the TSP accounting records; (5) monitor for and detect potential fraudulent activity associated with participant accounts; (6) investigate and resolve potential fraudulent activity identified internally and/or reported by participants; and (7) revise or augment preventative procedures when fraudulent activity or other risk factors are identified. However, as indicated above, we noted internal control weaknesses in certain areas of the TSP account maintenance process within our audit objectives.

As a result of our compliance testing, we did not identify any instances of noncompliance with applicable provisions of FERSA or 5 CFR 1600.11, 1600.12, 1600.13, 1600.14, 1600.18, 1600.19, 1600.21, 1600.22, 1600.23, 1600.30(c), 1600.32, 1600.33(a)-(c) and (g), 1600.34(b), 1600.35(b), 1601.12, 1601.13(a)(2)-(3) and (5), 1601.22(a)-(b), 1601.23(a)-(b), 1601.32, 1601.33, 1601.34, 1603.2, 1603.3, 1605.2(a)(2) and (c)-(d), 1605.3, 1605.11(b)-(c), 1605.12(a)-(b), (c)(1), and (d)-(f), 1605.13(a)(3), 1605.14(a)-(b), 1605.15(c), 1605.16(c), 1605.21(b), 1605.22(b)(2) and (c)(2)-(3), 1605.31(d), 1620.44, 1640.2, 1645.2, 1650.5, 1650.11(b)-(c), 1651.3(a)-(b) and (d), 1651.4, 1651.19(m)(4), or 1651.19(j). However, we did identify instances of noncompliance with certain elements of 5 CFR 1600.31, 1600.33(d)-(f), 1600.34(a) 1600.35(a), 1600.37, 1605.2(a)(1), 1605.22(b)(1) and (c)(1), 1620.46(e), and 1651.3(c) as described in Sections III.B, and potential instances of noncompliance with certain elements of 5 CFR 1605.2 (b) and (e) and 1605.12(c)(2) as described in Section III.C.

The Agency's response 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 the following recommendations:

Recommendation Number Title, and Description	Auditors' Response
<p>2024-02, Deficiencies Related to Manual Adjustment Review Controls:</p> <p>Design and implementation of segregation of duties controls to limit the ability to process manual adjustments to only those who have been assigned to process manual adjustments</p>	<p>We identified deficiencies related to the ineffective design and implementation of manual adjustment controls during the scope period. We acknowledge that the Agency and its vendor have various detective controls to monitor manual adjustments after they are processed in the system and trace the individuals who perform actions within the system. However, the [REDACTED] user role noted in the Agency's response allows all users with the role to process transactions in the TSP recordkeeping system, including the ability to process manual adjustments. Our testing identified that the role was granted to more individuals than those assigned to process manual adjustments. Effective controls are critical to ensuring that manual adjustments are processed by appropriate personnel. As such, we did not make any changes to our recommendation.</p>
<p>2024-13, Deficiencies Related to Beneficiary Designation Requests:</p> <p>Augment existing policies or standard operating procedures to clarify what forms of participant signature and date timestamp can be accepted within the beneficiary designation request process</p>	<p>We identified a deficiency related to insufficient documentation for accepting electronic signatures in the beneficiary designation process. We acknowledge that the Agency and its vendor do not consider such information appropriate for a policy document or standard operating procedures. However, the Agency's response indicates that Agency management will work with its vendor to ensure the necessary information and explanations are sufficiently documented and made readily available. As such, we did not make any changes to our recommendation.</p>

This performance audit did not constitute an audit of the TSP's financial statements or an attestation engagement as defined by *Government Auditing Standards* and the AICPA standards for attestation engagements. KPMG was not engaged to, and did not, render an opinion on the Agency's internal controls over financial reporting or over financial management systems. KPMG cautions that projecting the results of this audit to future periods is subject to the risks that controls may become inadequate because of changes in conditions or because compliance with controls may deteriorate.

While we understand that this report may be used to make the results of our performance audit available to the public in accordance with *Government Auditing Standards*, this report is intended for the information and use of the U.S. Department of Labor Employee 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

September 4, 2024

I. BACKGROUND OF THE ACCOUNT MAINTENANCE PROCESS

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 the basic component of the Federal Employees' Retirement System (FERS) and the Blended Retirement System (BRS), and provides a Federal (and, in certain cases, State) income tax deferral on employee contributions and related earnings. The TSP is available to Federal and Postal employees, members of the uniformed services, and members of Congress and certain Congressional employees. The TSP began accepting contributions on April 1, 1987, and as of February 29, 2024, had approximately \$877 billion in assets and approximately 7.0 million participants².

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

B. TSP System³

The TSP recordkeeping systems (TSP system) are a collection of applications that value accounts daily, process and record loans and withdrawals, record contributions, and process interfund transfer requests for TSP participants and beneficiaries. In November 2020, the Agency contracted with a vendor to provide recordkeeping services for the TSP under a recordkeeping services acquisition contract (i.e., the Converge contract)⁴. The vendor subcontracted with a commercial financial recordkeeping organization to develop and maintain the Converge core recordkeeping systems and associated support subsystems, referred to collectively as [REDACTED]. The vendor manages and operates the Converge supporting business capabilities (i.e., customer relationship management, contact center operations, analytics, fraud, security operations, and the TSP.gov website), referred to collectively as the [REDACTED] systems. The primary recordkeeping system used in the account maintenance

² Source: Minutes of the Federal Retirement Thrift Investment Board meeting held on March 26, 2024, posted on www.frtib.gov.

³ Source: Internally sourced system documentation.

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

process is the [REDACTED] system, [REDACTED]. Converge was implemented during the third quarter of fiscal year 2022.

C. Overview of the TSP Account Maintenance Process⁵

Account maintenance is the TSP process designed to process and record Federal agency, uniformed service, and participant contributions; adjustments; breakage; negative adjustments; forfeitures and forfeiture restorations; rollovers; interfund transfers and reallocations; and account combinations, and maintain participant data and the current investment balance and daily valuation in each fund by participant. This process also includes maintaining a record of employee data (e.g., name, social security number, date of birth, address, and separation code), maintaining a record of beneficiaries designated by the participant, and monitoring participant accounts for suspected fraudulent activity.

1. Processing Contributions and Maintaining Employee Data

Employer agencies automatically enroll Federal employees in the TSP. Uniformed services members employed after January 1, 2018, and covered by the BRS are automatically enrolled in the TSP after 60 days of service. Uniformed service members employed prior to January 1, 2018, with fewer than 12 years of service were eligible to opt into the BRS during calendar year 2018 and receive matching contributions.

In order to change the default contribution percentage, a participant must submit a Form TSP-1⁶, *Election Form*, to their employer agency or service, or initiate default contribution changes via the payroll service provider's website. The form can be obtained from the employer agency or service, TSP website, or requested through the ThriftLine telephone service center (ThriftLine). Participants may choose between a traditional (pre-tax) TSP account or a Roth (after-tax) account and must specify the amount of contribution election as a percentage of their basic pay or a fixed amount for each payroll period. Participants have up to 90 days after the first automatic contribution is made to request a refund of such contributions. Refund requests may be completed through the TSP website, the ThriftLine, or mailed directly to the TSP using Form TSP-25, *Automatic Enrollment Refund Request*.

⁵ Sources: *Summary of the Thrift Savings Plan*, January 2024; Agency Account Maintenance Policies; and [REDACTED].

⁶ Forms used by the uniformed service members are numbered the same as for civilians except they are denoted by a "U". For example, the Form TSP-1 for the uniformed services is Form TSP-U-1.

Payroll offices submit contribution, employee, and adjustment data to the TSP each payroll period. Most Federal agencies and uniformed services transfer amounts for submission to a clearing account at the U.S. Department of the Treasury (Treasury). These amounts include contributions (net of adjustments) owed by the agencies and services to TSP participants. These amounts are then transferred to the TSP.

Payroll data is received and processed through the [REDACTED] following the payroll data submission by the Agency Payroll Office User (APOU). The [REDACTED] begins validation of data received immediately upon receipt and provides a real time report of edits. Upon completion of the validation, the [REDACTED] generates a voucher based on payroll data submitted and successfully validated. The APOU reviews the voucher and either approves the validated journal voucher or deletes it if the file is incomplete or missing data records. The validated JV provides summary data that includes the total validated records, total payment, and negative adjustments for employee and government contributions. Once the JV is submitted, the data is processed in the TSP system.

During the [REDACTED] validation process, various edits can be performed on the submitted data. The [REDACTED] edit process may fully process the data or completely or partially reject data. Rejected data is captured on an error report, which contains information related to the cause of error that is available to the relevant agency or service for correction. Once the [REDACTED] processes the data, the TSP system is configured to post payroll contributions to the appropriate traditional or Roth account based on the account election in the payroll data.

In order to change the default investment fund⁷ for future payroll contributions, participants must initiate a change via the TSP website, the ThriftLine, or direct mail to the TSP using Form TSP-50, *Investment Change Notice*. Investment fund changes will not be accepted if the participant requests a fund allocation that does not total 100%. The TSP system stores the participant's fund allocation information and applies the participant's contributions to the appropriate investment fund(s) based on their fund election.

Contribution activity is posted to the TSP system on the second business day. The contribution data posted to the TSP system interfaces into the investment management system, which generates a general ledger extract file for upload to the general ledger system. The general ledger system performs a series of edit checks on the file, and the Agency's Office of the Chief Financial Officer

⁷ Automatic enrollment contributions are automatically invested into a Lifecycle Fund (L Fund) designated by the participant's age at time of employment.

(OCFO) reviews the inputs before posting the file to the general ledger system at the investment fund level. The OCFO reconciles all contribution transactions from the TSP system to the TSP general ledger on a daily and monthly basis by completing the Withdrawal, Loan, and Contribution reconciliation.

2. Daily Valuation

Each investment fund is valued at the end of each business day, and share prices are calculated for the purpose of processing participant account transactions and posting the value of participant balances within each participant account. Share prices are calculated in the [REDACTED] system, which receives inputs for shares outstanding, market earnings, Government Securities Investment Fund (G Fund) interest, and accrued expenses.

Market earnings for the Fixed Income Index Investment Fund (F Fund), Common Stock Index Investment Fund (C Fund), Small Capitalization Stock Index Investment Fund (S Fund), and International Stock Index Investment Fund (I Fund) are retrieved from the TSP Investment Managers, [REDACTED].

[REDACTED]. Market earnings are equal to the change in settled market value of the investments from the prior business day, minus the proceeds of the prior day's trade. G Fund interest is calculated based on invested balances and the G Fund interest rate, which is determined on the first business day of the month, each month, by Treasury. Daily accrued expenses, net of forfeitures, are calculated by the Agency's Financial Management Division on the first business day of each month.

3. Breakage

Breakage represents the gain realized or loss incurred on makeup or late contributions. It is the difference between the value of the shares of the applicable investment fund(s) that would have been purchased on the "as of"⁸ date and the value of those shares on the date the contributions are posted to a participant's account. Participants are entitled to breakage on makeup or late agency or service contributions, misclassifications, missed or insufficient employee contributions,

⁸ The "as of" date is the previous pay date for which the contributions should have been posted to the participant's account and is used by payroll offices on payment records to report makeup and late contributions.

erroneous contributions, back or retroactive pay settlements, or investments attributed to the incorrect fund.

Agencies and services can post their payroll data at any time based on their established pay periods. If contributions on a payroll submission are posted more than 30 business days after the “current pay date” reported on the payroll data submission, the submission is considered late. The TSP system uses the record types submitted by the payroll office in their JV submissions to identify breakage transactions. The TSP system automatically calculates breakage for each source of contributions by determining the number of shares of each applicable investment fund that would have been purchased had the contributions been reported on time. The TSP system then determines the dollar value of the number of shares of each applicable investment fund on the posting date. The difference between the dollar value of the contribution on the posting date compared to the dollar value on the “as of” date is the breakage. Positive breakage (i.e., gains) is charged back to the employing agency or service and negative breakage (i.e., losses) is forfeited to the TSP.

4. Negative Adjustments

Negative adjustments represent erroneous contributions that have been previously reported by a payroll office. The TSP system uses the record types submitted by the payroll office in their JV submissions to identify negative adjustments. The TSP system automatically calculates negative adjustments by determining the number of shares of each applicable investment fund that the payroll office is requesting to remove from the participant’s account. The TSP system then determines the dollar value of the negative adjustment by multiplying the number of shares of each applicable investment fund by the share price on the date the negative adjustment is processed. The difference between the dollar value of the erroneous contribution on the posting date compared to the dollar value of the negative adjustment results in a gain or loss. Generally, gains on erroneous contributions remain in the participant’s account and losses are charged back to the employing agency or service.

5. Rollovers

Participants can rollover money from a qualified retirement plan or a traditional Individual Retirement Account (IRA)⁹ into the TSP. A direct rollover occurs when the qualified retirement

⁹ The TSP accepts transfers of Roth money from a Roth 401(k), 403(b), or 457(b) into the Roth balance of a participant’s TSP account; however, the TSP does not accept rollovers from Roth IRAs.

plan or traditional IRA sends the eligible distribution directly to the TSP, and an indirect rollover occurs when the qualified retirement plan makes a distribution to the participant who then deposits all or part of the distribution into the TSP. Rollovers may be initiated through the TSP website, the ThriftLine, or direct mailed to the TSP using form TSP-60, *Rollover Contribution Form – Thrift Savings Plan*¹⁰. The participant must also submit supporting documentation from the administrator of the qualified retirement plan or the trustee or custodian of the traditional IRA from which the eligible rollover distribution was made, along with their rollover check in order for the request to be processed. The request and check are reviewed by a processing specialist to verify that all conditions are met in order for the TSP to process the request. Once the request is approved, the TSP system allocates the rollover amount to the participant’s investment fund(s) based on their fund election. Check safeguarding and processing is completed by a third-party vendor on behalf of the TSP.

6. Interfund Transfers and Reallocations

Participants can transfer or reallocate money already in their account among the TSP investment funds. An interfund transfer occurs when a participant moves a specified amount of money¹¹ from an investment fund to another investment fund or funds. An interfund transfer is a one-time transfer and does not change the participant’s elected fund allocation. A reallocation occurs when the account balance in the participant’s TSP account is redistributed among the funds based on the participant’s new elected percentage of investment in each fund.

Interfund transfers and reallocations may be initiated through the TSP website or the ThriftLine. Requests will not be accepted if the participant enters an interfund transfer or reallocation amount that does not total 100%. For reallocations, requests will not be accepted if the participant enters an amount that does not zero out the balance being reallocated. Requests from participants for interfund transfers or reallocations are processed on a daily basis. Requests made before 12:00 p.m. Eastern time each business day are generally processed and posted on the same business day. Requests made after 12:00 p.m. Eastern time will be posted by the close of the next business day.

Participants can make two interfund transfers each month to redistribute money in their TSP accounts among any or all of the TSP investment funds. If more than two interfund transfers are

¹⁰ Forms used for Roth money are numbered the same as for traditional plans except they are denoted by an “R”. For example, the applicable form for Roth is Form TSP-60-R.

¹¹ Interfund transfers can be processed using a dollar amount or percentage as specified by the participant.

requested in a calendar month, the interfund transfer can only move money into the G Fund. The TSP system prevents interfund transfers from being allocated to any funds other than the G Fund starting with the third interfund transfer in a calendar month.

7. Account Combinations

Participants who have been employed in both a civilian and uniformed services capacity may have two separate TSP accounts. When a participant separates from service in one of the two capacities, they have the option to combine their separate TSP accounts into one account. Account combinations may be initiated via the TSP website, the ThriftLine, or direct mail to the TSP using form TSP-65, *Request to Combine TSP Accounts*. If a participant separates from one service, the account combination can only be performed by combining the separated service account (i.e., closing account) into the active service account (i.e., gaining account). If a participant separates from both civilian and uniformed service, they may choose which account will close. Tax exempt contributions in uniformed services accounts (i.e., contributions from combat zone pay) may not be transferred into a civilian account, and Roth and traditional balances cannot be combined. Contributions from the closing account are allocated into the gaining account in accordance with the gaining account's investment fund allocation.

8. Forfeitures

TSP accounts that are comprised of a participant's employee and agency matching contributions, including the related earnings, are always vested. In order to become vested in agency automatic contributions and related earnings, a participant must complete three years of Federal civilian service (or two years for certain political or Congressional appointments or uniformed services members). TSP participants who separate¹² from Federal service before satisfying the vesting requirements will forfeit the agency automatic contributions and related earnings. If a participant dies in service prior to satisfying the vesting requirements, the agency automatic contributions and related earnings become automatically vested. Forfeitures may also occur when a participant's vested balance is less than \$5 or when a participant is inaccurately identified under FERS rather than Civil Service Retirement Services (CSRS), as these agency contributions are considered erroneous contributions.

¹² Separation is defined as leaving Federal employment for 60 or more consecutive calendar days.

Employment codes and separation dates are transmitted to the TSP system by the responsible payroll office. To process forfeitures, the TSP system identifies participants with an “S” employment code, indicating a separation. The TSP system then calculates time between the participant’s separation date and service computation date to determine the period of service and compares the result to the required vesting period. If the period of service is less than required for vesting, the agency automatic contributions and related earnings are forfeited and removed from the separated participant’s account.

9. Forfeiture Restorations

If contributions are forfeited erroneously as a result of incorrect employment information (such as separation code or date) submitted by a participant’s employing agency or payroll office or as a result of administrative errors (such as data entry errors), they are restored. The Federal agency payroll or personnel office must submit a corrected data record and Form TSP-5-R, *Request to Restore Forfeiture*, to request and authorize a forfeiture restoral. Once received, the TSP processing specialist reviews the form and corrected data record for completeness and verifies that a forfeiture was processed in the participant’s account before approving the restoral. Once approved, the TSP system restores the participant’s forfeited agency automatic contributions and related earnings and records gains or losses that were not previously recognized on the erroneously forfeited contributions.

10. Beneficiary Designation

Participants may designate a beneficiary or beneficiaries to receive funds held in a TSP account upon their death. Beneficiary designations may be initiated through the TSP website, the ThriftLine, or direct mailed to the TSP using Form TSP-3, *Designation of Beneficiary*. The participant provides information such as the full name, share percentage, relationship status, date of birth, and social security number (or tax identification number) for each designated beneficiary. Beneficiary designation requests must be signed or submitted by the participant and witnessed by an individual who is at least 21 years of age and not named as a beneficiary on the related TSP account. Manually-submitted beneficiary designation requests are reviewed by a TSP processing specialist to verify that all conditions are met in order for the TSP to process the request. Electronic submissions are subjected to TSP system edit checks to validate that all conditions are met. Once the request is approved by the specialist or passes the system edit checks, the beneficiary designation is processed in the TSP system.

11. Manual Adjustments

Manual adjustments to participant accounts may be initiated upon notification of an error from the participant, beneficiary, or TSP recordkeeper. Manual adjustments may include non-financial corrections, such as name or social security number changes, or financial corrections, such as correcting funds that were incorrectly or inaccurately placed in a participant's account. Once processed in the TSP system, manual adjustments are posted directly to the TSP general ledger along with daily contribution activity and are included in the daily transaction activity summary reconciliation.

12. Fraudulent Activity Monitoring

[REDACTED]

[REDACTED]

D. TSP Account Maintenance Statistics

Exhibit I-1 presents the total and Roth average account balances maintained by the TSP as of February 29, 2024, for Beneficiary, BRS, CSRS, FERS, and Uniformed Services participants².

Exhibit I-1

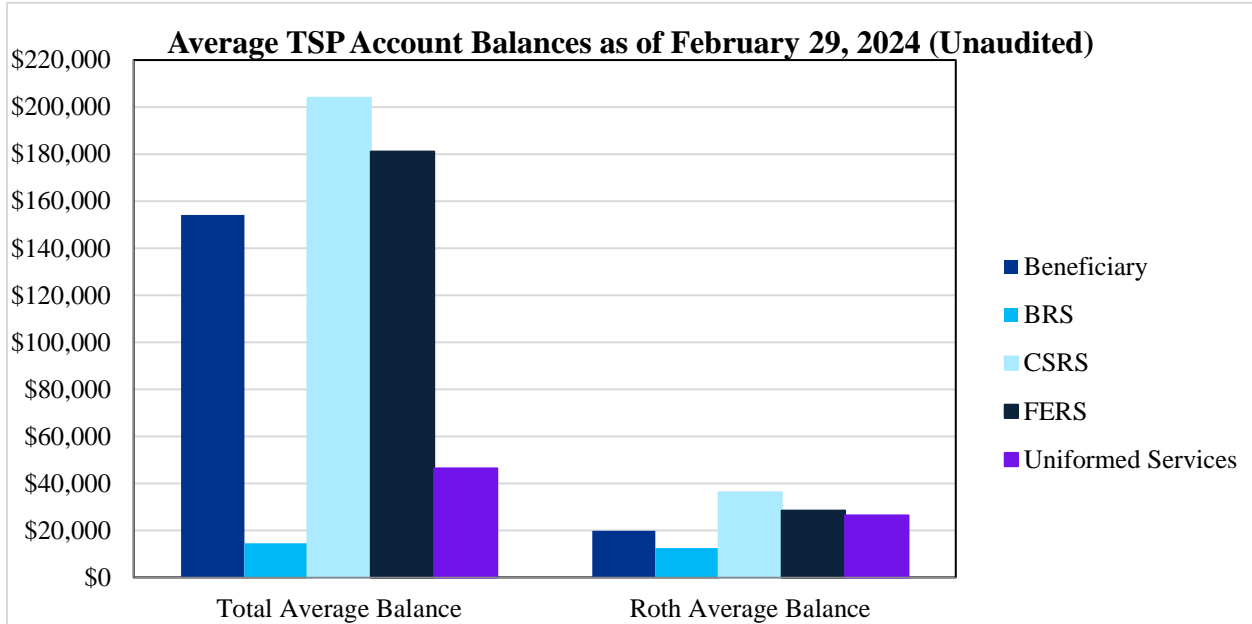


Exhibit I-2 presents the allocation of total and Roth accounts, by account type, as of February 29, 2024².

Exhibit I-2

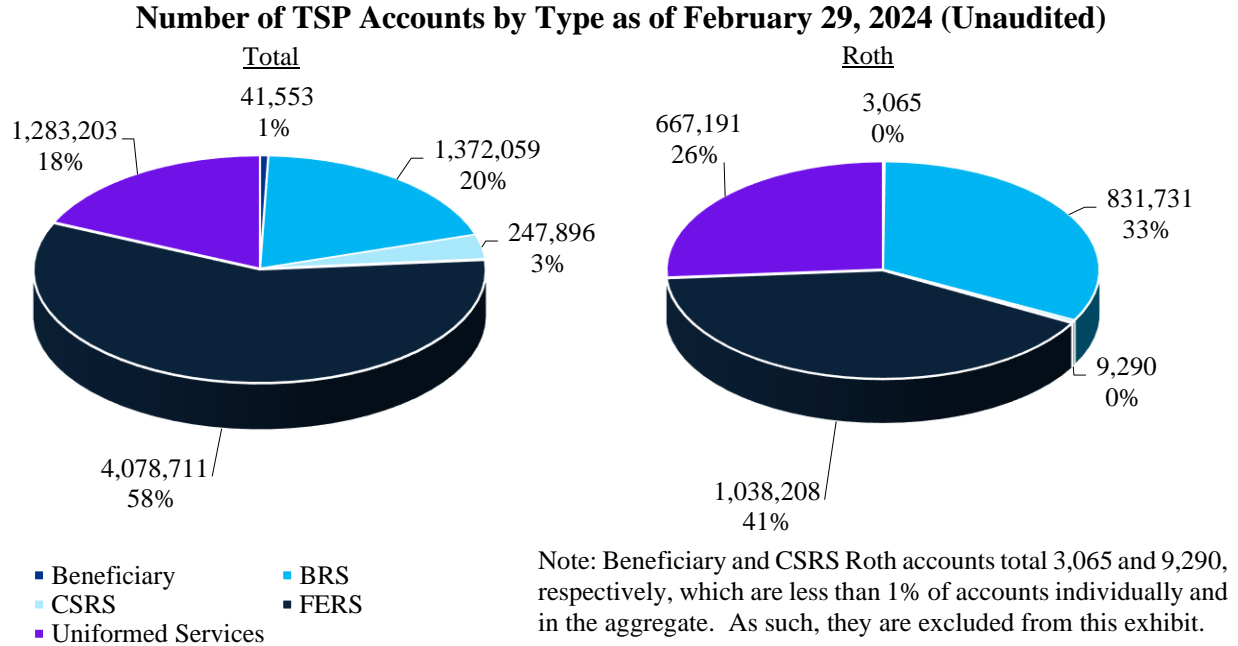


Exhibit I-3 presents the allocation of TSP investments, by investment fund, as of February 29, 2024².

Exhibit I-3

TSP Investments, by Fund, as of February 29, 2024 (Unaudited)

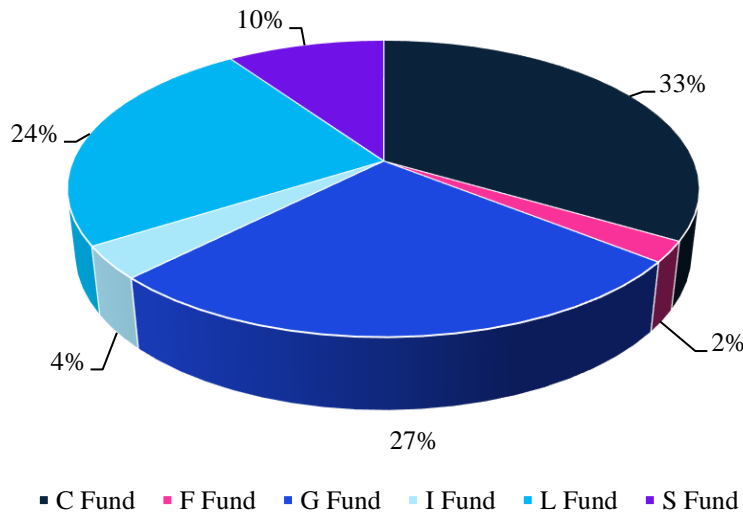
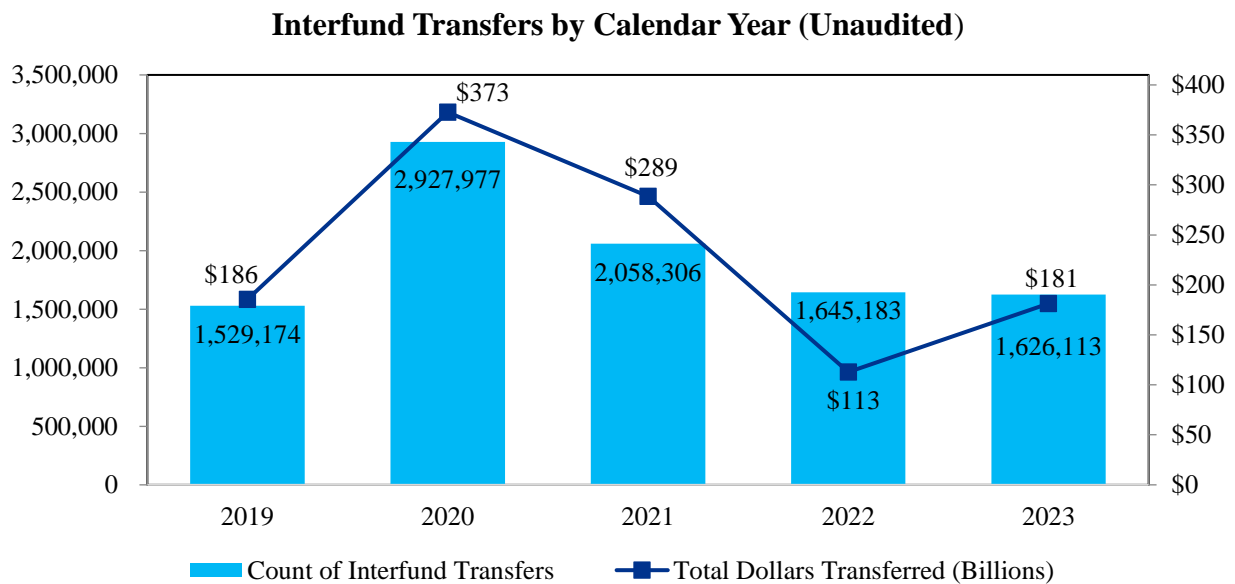


Exhibit I-4 presents the total number and dollar value of interfund transfers processed, by calendar year, for the five most recently completed calendar years.¹³ We note that the data for 2019 through May 2022 is from the prior TSP system. These data include both participant-initiated interfund transfers as well as system-initiated transfers for fund closures and death transfer processing. The data for June 2022 through 2023 is from the current TSP system. These data only include participant-initiated interfund transfers. The number of system-initiated transfers in the prior TSP system are minimal, and as such, the data sets are relevant for comparison.

Exhibit I-4



¹³ Source: TSP *Total Count and Value of Interfund Transfers* for the period January 1, 2019, through December 31, 2023.

Exhibit I-5 presents the total number and dollar value of rollovers processed, by calendar year, for the five most recently completed calendar years.¹⁴

Exhibit I-5

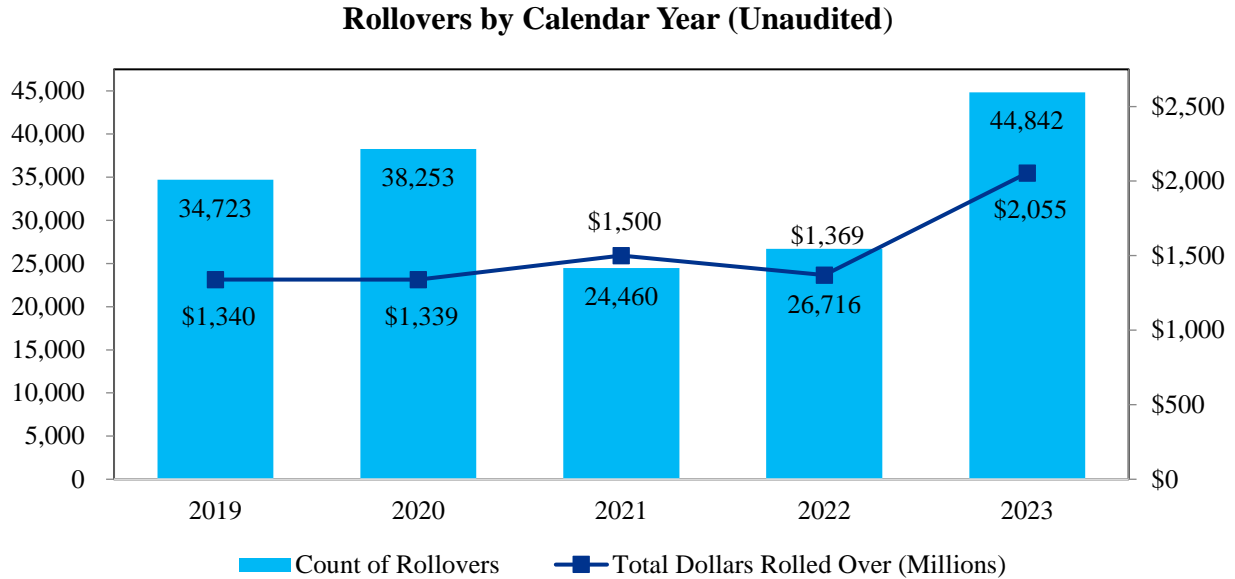
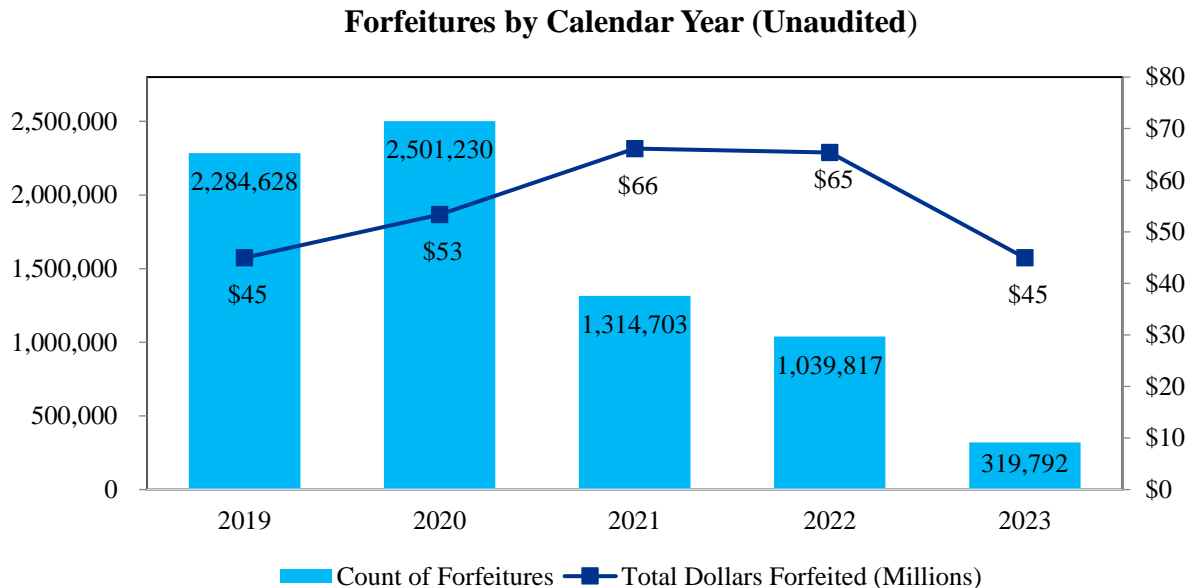


Exhibit I-6 presents the total number and dollar value of forfeitures processed, by calendar year, for the five most recently completed calendar years.¹⁵

Exhibit I-6



¹⁴ Source: TSP Total Count and Value of Rollovers for the period January 1, 2019, through December 31, 2023.

¹⁵ Source: TSP Total Count and Value of Forfeitures for the period January 1, 2019, through December 31, 2023.

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 Thrift Savings Plan (TSP) account maintenance process.

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

- Determine whether the Federal Retirement Thrift Investment Board’s Staff (Agency) and its vendor implemented certain procedures to (1) accurately reflect in participant accounts contributions as elected by participants, daily valuation, and the fund balances; (2) process TSP contributions, rollovers, breakage, adjustments, interfund transfers, forfeitures, and forfeitures restorations promptly and accurately in individual participant accounts and in the appropriate investment fund(s); (3) monitor manual adjustments made to transactions and participant accounts; (4) accurately record account maintenance activity in the TSP accounting records; (5) monitor for and detect potential fraudulent activity associated with participant accounts; (6) investigate and resolve potential fraudulent activity identified internally and/or reported by participants; and (7) revise or augment preventative procedures when fraudulent activity or other risk factors are identified; and
- Test compliance of the TSP account maintenance process with United States Code (USC) Title 5, Sections 8432(a)(3), 8432(b)(1)-(2), 8432(d), 8432(g)(1)-(3), 8438(c)(2), and 8439(d) (hereinafter referred to as FERSA) and Code of Federal Regulations (CFR) Title 5, Sections 1600.11, 1600.12, 1600.13, 1600.14, 1600.18, 1600.19, 1600.21, 1600.22, 1600.23, 1600.30(c), 1600.31, 1600.32, 1600.33(a)-(g), 1600.34(a)-(b), 1600.35(a)-(b), 1600.37, 1601.12, 1601.13(a)(2)-(3) and (5), 1601.22(a)-(b), 1601.23(a)-(b), 1601.32, 1601.33, 1601.34, 1603.2, 1603.3, 1605.2(a)-(e), 1605.3, 1605.11(b)-(c), 1605.12(a)-(f), 1605.13(a)(3), 1605.14(a)-(b), 1605.15(c), 1605.16(c), 1605.21(b), 1605.22(b)-(c), 1605.31(d), 1620.44, 1620.46(e), 1640.2, 1645.2, 1650.5, 1650.11(b)-(c), 1651.3(a)-(d), 1651.4, 1651.19(m)(4), and 1651.19(j) (hereinafter referred to as Agency 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 February 29, 2024. We performed the audit in four phases: (1) planning, (2) arranging for engagement with the Agency, (3) testing and interviewing, and (4) report writing.

During the planning phase, team members developed a collective understanding of the activities and controls associated with the applications, processes, and personnel involved with the TSP account maintenance process. Arranging the engagement included contacting the Agency and agreeing on the timing of detailed testing procedures.

During the testing and interviewing phase, we conducted interviews, collected, and inspected auditee-provided documentation and evidence, participated in process walk-throughs, and designed and performed tests of controls¹⁶ and compliance. Our performance audit procedures included using random attribute sampling to select samples from the following populations related to TSP account maintenance for the period January 1, 2023, through February 29, 2024, which we used to determine if the TSP processed account maintenance-related transactions in a manner that complied with FERSA and Agency regulations:

- Participants with newly established accounts during the period January 1, 2023, through February 29, 2024
- Participants who actively contributed to the TSP during the period January 1, 2023, through February 29, 2024
- Participants who separated from service during the period January 1, 2023, through February 29, 2024
- Participants who requested an automatic enrollment refund during the period January 1, 2023, through February 29, 2024
- Participants who submitted a catch-up contribution during the period January 1, 2023, through February 29, 2024

¹⁶ We tested certain information technology (IT) application controls in the Converge system related to the account maintenance process. The scope of our audit did not include the testing of general IT controls that support the consistent and effective functioning of those IT application controls by maintaining the continued proper operation of the Converge system.

- Participants who designated a beneficiary during the period January 1, 2023, through February 29, 2024
- Participants who rolled over contributions to the TSP during the period January 1, 2023, through February 29, 2024
- Participants who reallocated investments among TSP funds during the period January 1, 2023, through February 29, 2024
- Participants who transferred investments within TSP funds during the period January 1, 2023, through February 29, 2024
- Participants who transferred investments within TSP funds three or more times in a month during the period January 1, 2023, through February 29, 2024
- Participants who combined their civilian and uniformed services accounts during the period January 1, 2023, through February 29, 2024
- Participants with breakage on late or makeup contributions during the period January 1, 2023, through February 29, 2024
- Participants with a negative adjustment to contributions during the period January 1, 2023, through February 29, 2024
- Participants with a non-statutory forfeiture during the period January 1, 2023, through February 29, 2024
- Participants with a statutory forfeiture during the period January 1, 2023, through February 29, 2024
- Participants with a restored forfeiture during the period January 1, 2023, through February 29, 2024
- Reports for surveillance of fraud vulnerabilities in the TSP system during the period January 1, 2023, through February 29, 2024
- Reports for fraudulent incidents identified during the period January 1, 2023, through February 29, 2024
- Manual adjustments in the TSP system during the period January 1, 2023, through February 29, 2024
- Transactions with potentially fraudulent activity during the period January 1, 2023, through February 29, 2024
- Journal vouchers submitted by payroll offices that included an error when processed during the period January 1, 2023, through February 29, 2024

We conducted these test procedures remotely in coordination with personnel primarily from the Agency's headquarters in Washington, DC and its vendor's headquarters in [REDACTED]. Appendix B lists the key documentation and reports we reviewed during our performance audit.

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

Criteria used for this 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) account maintenance process while remotely conducting a performance audit related to activities at the Federal Retirement Thrift Investment Board's Staff (Agency). Our scope period for testing was January 1, 2023, through February 29, 2024. 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 February 29, 2024, the Agency and its vendor implemented certain procedures to (1) accurately reflect in participant accounts contributions as elected by participants, daily valuation, and the fund balances; (2) process TSP contributions, rollovers, breakage, adjustments, interfund transfers, forfeitures, and forfeitures restorations promptly and accurately in individual participant accounts and in the appropriate investment fund(s); (3) monitor manual adjustments made to transactions and participant accounts; (4) accurately record account maintenance activity in the TSP accounting records; (5) monitor for and detect potential fraudulent activity associated with participant accounts; (6) investigate and resolve potential fraudulent activity identified internally and/or reported by participants; and (7) revise or augment preventative procedures when fraudulent activity or other risk factors are identified. However, we noted internal control weaknesses in certain areas of the TSP account maintenance process within our audit objectives.

As a result of our compliance testing, we did not identify any instances of noncompliance with applicable provisions of United States Code Chapter 5, Sections 8432(a)(3), 8432(b)(1)-(2), 8432(d), 8432(g)(1)-(3), 8438(c)(2), or 8439(d); or Code of Federal Regulations (CFR) Title 5, Parts 1600.11, 1600.12, 1600.13, 1600.14, 1600.18, 1600.19, 1600.21, 1600.22, 1600.23, 1600.30(c), 1600.32, 1600.33(a)-(c) and (g), 1600.34(b), 1600.35(b), 1601.12, 1601.13(a)(2)-(3) and (5), 1601.22(a)-(b), 1601.23(a)-(b), 1601.32, 1601.33, 1601.34, 1603.2, 1603.3, 1605.2(a)(2) and (c)-(d), 1605.3, 1605.11(b)-(c), 1605.12(a)-(b), (c)(1), and (d)-(f), 1605.13(a)(3), 1605.14(a)-(b), 1605.15(c), 1605.16(c), 1605.21(b), 1605.22(b)(2) and (c)(2)-(3), 1605.31(d), 1620.44, 1640.2, 1645.2, 1650.5, 1650.11(b)-(c), 1651.3(a)-(b) and (d), 1651.4, 1651.19(m)(4), or 1651.19(j). However, we did identify instances of noncompliance with certain elements of 5 CFR

1600.31, 1600.33(d)-(f), 1600.34(a) 1600.35(a), 1600.37, 1605.2(a)(1), 1605.22(b)(1) and (c)(1), 1620.46(e), and 1651.3(c) as described in Sections III.B, and potential instances of noncompliance with certain elements of 5 CFR 1605.2 (b) and (e) and 1605.12(c)(2) as described in Section III.C.

We present 13 new findings and 19 related recommendations, outlined in Section III.B, related to the TSP account maintenance process, 14 of which address fundamental 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. These recommendations are intended to strengthen the TSP account maintenance process. The Agency should review and consider these recommendations for timely implementation. The Agency's response to these recommendations is included as an appendix within this report (Appendix A).

Section III.B presents the findings and recommendations from this performance audit, and Section III.C communicates other observations relevant to our audit objectives. Section III.D summarizes the open recommendations.

B. 2024 Findings and Recommendations

While conducting our performance audit over the TSP account maintenance process, we identified 13 new findings and developed 19 related recommendations. EBSA requests appropriate and timely action for the recommendations.

FUNDAMENTAL CONTROL FINDINGS AND RECOMMENDATIONS

2024-01, 2024-02, and 2024-03: Deficiencies Related to Manual Adjustment Review Controls

The Agency and its vendor did not have sufficient controls in place over the process to manually adjust participant accounts. Specifically, we identified the following:

- No preventive or detective control was in place specific to the review of manual adjustments to determine if they were processed in accordance with applicable policies and procedures;
- Appropriate controls were not implemented in the TSP system related to manual adjustments to support proper segregation of duties. Specifically, the user roles in the TSP system were

not configured to restrict users outside of those assigned to process manual adjustments from processing manual adjustments; and

- [REDACTED] manual adjustments made during the period of January 1, 2023, through February 29, 2024, the transaction was processed more than 30 days¹⁷ (specifically, between 33 and 347 days) after the adjustment was requested or recognized by the Agency's vendor for processing.

The deficiencies occurred because the Agency and its vendor did not perform a sufficient risk assessment to identify risks in the monitoring and approval of manual adjustments and design control activities in response, including implementation of segregation of duties controls for manual adjustments.

5 CFR 1605.22 states:

(b) Board's or TSP record keeper's discovery of error.

- (1) Upon discovery of an error made within the past six months involving a receipt or a disbursement, the Board or TSP record keeper must promptly correct the error on its own initiative. If the error was made more than six months before its discovery, the Board or the TSP record keeper may exercise sound discretion in deciding whether to correct the error, but, in any event, must act promptly in doing so.

(c) Participant's or beneficiary's discovery of error.

- (1) If the Board or TSP record keeper fails to discover an error of which a participant or beneficiary has knowledge involving a receipt or a disbursement, the participant or beneficiary may file a claim for correction of the error with the Board or the TSP record keeper without time limit. The Board or the TSP record keeper must promptly correct any such error for which the participant or beneficiary filed a claim within six months of its occurrence; the correction of any such error for which the participant or beneficiary filed a claim after that time is in the sound discretion of the Board or TSP record keeper.

¹⁷ Because neither the relevant CFR reference nor the vendor's [REDACTED] specified the timeframe for the prompt processing of manual adjustments, we judgmentally considered 30 days to be prompt during our testing of the sample of manual adjustments.

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

6.09: Management defines risk tolerance in specific and measurable terms so they are clearly stated and can be measured. Risk tolerance is often measured in the same terms as the performance measures for the defined objective. Depending on the Category of objectives, risk tolerance may be expressed as follows:

Compliance Objectives – Concept of risk tolerance does not apply. An entity is either compliant or not compliant.

7.04: Management considers all significant interactions within the entity and with external parties, changes within the entity's internal and external environment, and other internal and external factors to identify risk throughout the entity.

10.02: Management designs control activities in response to the entity's objectives and risks to achieve an effective internal control system.

10.03: Management designs appropriate types of control activities for the entity's internal control system. Control activities help management fulfill responsibilities and address identified risk responses in the internal control system...

Segregation of duties: Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event...

Accurate and timely recording of transactions: Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.

10.04: Control activities can be either preventive or detective. The main difference between preventive and detective control activities is the timing of a control activity within an entity's operations. A preventive control activity prevents an entity from failing to

achieve an objective or address a risk. A detective control activity discovers when an entity is not achieving an objective or addressing a risk before the entity's operation has concluded and corrects the actions so that the entity achieves the objective or addresses the risk.

11.12: Security management includes the information processes and control activities related to access rights in an entity's information technology, including who has the ability to execute transactions. Security management includes access rights across various levels of data, operating system (system software), network, application, and physical layers. Management designs control activities over access to protect an entity from inappropriate access and unauthorized use of the system. These control activities support appropriate segregation of duties. By preventing unauthorized use of and changes to the system, data and program integrity are protected from malicious intent (e.g., someone breaking into the technology to commit fraud, vandalism, or terrorism) or error.

- 1. The Agency should require its vendor to design and implement controls to include a review of manual adjustments to participant accounts.**
- 2. The Agency should require its vendor to design and implement segregation of duties controls to limit the ability to process manual adjustments to only those who have been assigned to process manual adjustments.**
- 3. The Agency should require its vendor to enhance existing policies and procedures to include a timeline for review of manual adjustment requests in accordance with applicable regulations.**

Without sufficient controls in place over the manual adjustment process, an increased risk exists that manual adjustments are processed inaccurately, untimely, without appropriate supporting documentation, without appropriate authorization, or in noncompliance with applicable regulations. Additionally, by only performing a review of manual adjustments after they are posted in the system (i.e., a detective control), an increased risk exists that additional manual adjustments will be required to correct errors identified.

2024-04: Deficiencies in Automatic Enrollment Refund Processing

The Agency and its vendor did not have sufficient controls in place to properly review and process automatic enrollment refunds in accordance with applicable regulations. Specifically, during our compliance testwork over a sample of [REDACTED] automatic enrollment refunds during the period of January 1, 2023, to February 29, 2024, we identified the following:

- [REDACTED] the full automatic enrollment contribution, including applicable gains, was not refunded to the participant; and
- [REDACTED] the participant was refunded contributions that were ineligible for refund as they were not default contributions.

The deficiencies occurred because the Agency and its vendor did not configure the TSP recordkeeping system to process automatic enrollment refunds to include the applicable gains as part of the refunded contributions or to exclude refund requests for participants who have made updates to the automatic enrollment investment elections and are no longer making default contributions.

5 CFR 1600.35(a) states:

Subject to the limitations in paragraph (f) of this section, a participant may request a refund of any default employee contributions made on his or her behalf (i.e., the contributions made while under the automatic enrollment program) provided the request is received within 90 days after the date that the first default employee contribution was processed. The election may be made on the TSP website or by completing the TSP's refund request form and must be received by the TSP's record keeper prior to the expiration of the 90-day period.

[REDACTED]

- [REDACTED]

GAO's *Standards for Internal Control in the Federal Government* states:

6.09: Management defines risk tolerance in specific and measurable terms so they are clearly stated and can be measured. Risk tolerance is often measured in the same terms as the performance measures for the defined objective. Depending on the Category of objectives, risk tolerance may be expressed as follows:

Compliance Objectives – Concept of risk tolerance does not apply. An entity is either compliant or not compliant.

10.02: Management designs control activities in response to the entity's objectives and risks to achieve an effective internal control system.

10.03: Management designs appropriate types of control activities for the entity's internal control system. Control activities help management fulfill responsibilities and address identified risk responses in the internal control system...

Accurate and timely recording of transactions: Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.

11.01: Management should design the entity's information system and related control activities to achieve objectives and respond to risks.

- 4. The Agency should require its vendor to modify the system configuration for automatic enrollment refunds to include the full amount of eligible contributions, including applicable gains, and exclude ineligible refund requests.**

Without sufficient controls in place over the automatic enrollment refunds process, an increased risk exists that inaccurate refunds are processed and that the automatic enrollment refund process is not in compliance with applicable regulations.

2024-05: Deficiency in Processing Breakage for Late Contributions

The Agency and its vendor did not have sufficient controls in place over the calculation of breakage related to late contributions. Specifically, during our compliance testwork over a sample of [REDACTED] breakage transactions during the period of January 1, 2023, to February 29, 2024, we [REDACTED] [REDACTED] where breakage was calculated on a late payment record that totaled less than \$1.00.

The deficiency occurred because late contributions of less than \$1.00 were not excluded from the configuration for breakage calculation in the TSP system.

5 CFR 1605.2 states:

(a) General criteria. The TSP will calculate breakage on late contributions, makeup agency contributions, and loan payments as described by § 1605.15(b). This breakage calculation is subject to the criteria in paragraphs (a)(1) and (2) of this section:

(1) The TSP record keeper will not calculate breakage if contributions or loan payments are posted within 30 days of the “as of” date, or if the total amount on a late payment record or the total agency contributions on a current payment record is less than \$1.00.

[REDACTED]

GAO’s *Standards for Internal Control in the Federal Government* states:

11.02: Management designs the entity’s information system and related control activities to achieve objectives and respond to risks.

5. The Agency should require its vendor to modify the system configuration for the breakage calculation to exclude late contributions of less than \$1.00.

Without sufficient controls in place over the breakage process related to late contributions, an increased risk exists that inaccurate breakage transactions are posted to participant account balances, related gains are inappropriately charged to employing agencies, and related losses are inappropriately forfeited to the TSP based on applicable regulations.

2024-06, 2024-07, and 2024-08: Deficiencies in Uniformed and Civilian Account Combination Review

The Agency and its vendor did not have sufficient controls in place to properly review participant requests for account combinations. Specifically, during our compliance testwork over a sample of ■ uniformed-civilian account combinations processed during the period of January 1, 2023, through February 29, 2024, we identified the following exceptions:

- ■ (■ prior and ■ subsequent to September 28, 2023) related to participants with account contributions in multiple funds, the funds were moved to the gaining account using the closing account elections, rather than in accordance with the elections in the gaining account; and
- ■, the participant's spouse did not provide spousal consent for the combination.

Certain deficiencies related to account elections occurred because the TSP system was configured to combine uniformed and civilian accounts with multiple funds using the elections in the closing account rather than the gaining account. The Agency and its vendor indicated that the system configuration was updated to address this systematic root cause on September 28, 2023, and that management is reviewing account combinations processed prior to the system configuration update to remediate the combinations. However, the Agency's vendor did not verify that the updated system configuration was accurately combining accounts based on the gaining account elections. Additionally, related to the spousal consent exception, the approver of the account combination request did not perform a sufficient review of the request to verify that it was completed in accordance with applicable regulations, policies, or procedures.

5 CFR 1600.33 states:

Uniformed services TSP account balances and civilian TSP account balances may be combined (thus producing one account) subject to paragraphs (a) through (g) of this section...

(d) Funds transferred to the gaining account will be allocated among the TSP core funds according to the investment election in effect for the account into which the funds are transferred.

(e) Funds transferred to the gaining account will be treated as employee contributions and otherwise invested as described at 5 CFR 1600.

(f) A uniformed service member must obtain the consent of his or her spouse before combining a uniformed services TSP account balance with his or her civilian account, even if the civilian account is not subject to FERS [Federal Employee Retirement System] spousal rights. A request for an exception to the spousal consent requirement will be evaluated under the rules explained in 5 CFR part 1650.

[REDACTED]

[REDACTED]

[REDACTED]

GAO's *Standards for Internal Control in the Federal Government* states:

6.09: Management defines risk tolerance in specific and measurable terms so they are clearly stated and can be measured. Risk tolerance is often measured in the same terms as the performance measures for the defined objective. Depending on the Category of objectives, risk tolerance may be expressed as follows:

Compliance Objectives – Concept of risk tolerance does not apply. An entity is either compliant or not compliant.

11.02: Management designs the entity's information system and related control activities to achieve objectives and respond to risks.

16.05: Management performs ongoing monitoring of the design and operating effectiveness of the internal controls system as part of the normal course of operation. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations, and other routine actions.

6. **The Agency should require its vendor to verify that the system configuration implemented in the TSP system combines accounts with multiple funds using the elections in the gaining account.**
7. **The Agency should require its vendor to complete remediation of participant account combinations impacted by the incorrect system configuration that existed prior to September 28, 2023, and remediate inaccurate account combinations processed on and subsequent to September 28, 2023.**
8. **The Agency should require its vendor to periodically reinforce applicable regulations, policies, and standard operating procedures with personnel assigned to review and approve account combination requests.**

Without sufficient controls in place over the uniformed-civilian account combination process, an increased risk exists that ineligible, inaccurate, or unauthorized account combinations are processed and that the uniformed-civilian account combination process is not in compliance with applicable regulations.

2024-09: Deficiencies Related to Processing of Forfeiture Restorals

The Agency and its vendor did not have sufficient controls in place over the review and timely processing of forfeiture restorals. Specifically, during our control and compliance testwork over a sample of [REDACTED] forfeiture restorals processed during our scope period, we identified the following exceptions:

- [REDACTED] the forfeiture was restored more than 24 hours after receipt when requested by the payroll agency (specifically, between 2 and 117 days);
- [REDACTED] the abandoned account was restored more than 72 hours after receipt when requested by the participant (specifically, between 4 and 33 days);
- [REDACTED] the form requesting the forfeiture restoral (TSP-5-R) submitted by the payroll agency was incomplete;
- [REDACTED] the reviewer did not confirm that the error was corrected in the TSP system prior to processing the forfeiture restoral; and
- [REDACTED] the previously abandoned funds were not restored to the appropriate investment fund.

The deficiencies occurred because the Agency and its vendor did not design and implement monitoring procedures that would detect personnel not performing or reviewing forfeiture restorals timely, accurately, or in accordance with applicable regulations, policies, or procedures.

5 CFR 1620.46(e) states:

Forfeiture restoration. When notified by an employee that a forfeiture of the agency automatic (1%) contributions occurred after the employee separated to perform military service, the employing agency must complete and file the appropriate paper TSP form with the TSP record keeper in accordance with the form's instructions to have those funds restored.

TSP Bulletin 18-2, *TSP Forfeitures and Forfeiture Restoration Procedures* (November 5, 2018), states:

- Form TSP-5-R will not be processed if sections I-IV are not completed by the agency.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

GAO's *Standards for Internal Control in the Federal Government* states:

6.09: Management defines risk tolerance in specific and measurable terms so they are clearly stated and can be measured. Risk tolerance is often measured in the same terms as the performance measures for the defined objective. Depending on the Category of objectives, risk tolerance may be expressed as follows:

Compliance Objectives – Concept of risk tolerance does not apply. An entity is either compliant or not compliant.

10.03: Management designs appropriate types of control activities for the entity's internal control system. Control activities help management fulfill responsibilities and address identified risk responses in the internal control system...

Accurate and timely recording of transactions: Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.

16.05: Management performs ongoing monitoring of the design and operating effectiveness of the internal controls system as part of the normal course of operation. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations, and other routine actions.

9. The Agency should require its vendor to design and implement monitoring controls to support the effective and timely functioning of the forfeiture restoral review control.

Without sufficient controls in place over the review and timely processing of forfeiture restorals, an increased risk exists that inaccurate or ineligible forfeitures are restored and that the forfeiture restorals process is not in compliance with applicable regulations.

2024-10, 2024-11, and 2024-12: Deficiencies Related to Processing of Rollovers

The Agency and its vendor did not have sufficient controls in place over the review and timely processing of rollovers. Specifically, during our control and compliance testwork over a sample of [REDACTED] rollovers during the period of January 1, 2023, through February 29, 2024, we identified the following exceptions:

- [REDACTED] supporting documentation from the financial institution was not sufficient to reasonably conclude that the funds were tax-deferred and/or eligible for rollover;
- [REDACTED] supporting documentation from the financial institution was not sufficient to reasonably conclude that the funds were eligible for Roth rollover and to document the start date of the participant's 5-year non-exclusion period;
- [REDACTED] the participant's rollover request listed a distributing financial institution that did not agree to the financial institution listed on the check and/or supporting documentation;
- [REDACTED] the participant's rollover request was processed more than 48 business hours after the participant submitted all required documentation (specifically, between 4 and 14 business days);
- [REDACTED] the rollover amount was not allocated between the tax-deferred and Roth rollover sources in accordance with the participant's request; and
- [REDACTED] the participant's indirect rollover check was addressed to the participant but not endorsed to the TSP.

The deficiencies related to supporting documentation from the financial institution occurred because the Agency and its vendor did not sufficiently design control activity procedures to include review of such supporting documentation to determine if it includes all required elements in order to comply with applicable regulations prior to processing the rollover. Specific to Roth rollovers, the Agency and its vendor designed standard operating procedures to default the Roth account start

date to January 1 of the current year in cases in which the first year of the participant's Roth 5-year non-exclusion period was not provided by the financial institution. The other deficiencies occurred because the approver of the rollover request did not perform a sufficient review of the request to verify that it was completed in accordance with applicable regulations, policies, or procedures.

26 USC 408A(d)(2) states:

(B) Distributions within non exclusion period. A payment or distribution from a Roth IRA [Individual Retirement Account] shall not be treated as a qualified distribution under subparagraph (A) if such payment or distribution is made within the 5-taxable year period beginning with the first taxable year for which the individual made a contribution to a Roth IRA (or such individual's spouse, or employer in the case of a simple retirement account (as defined in section 408(p)) or simplified employee pension (as defined in section 408(k)), made a contribution to a Roth IRA) established for such individual.

5 CFR 1600.31 states:

(a) Direct rollover.

(1) A participant may request that the administrator or trustee of an eligible employer plan or traditional IRA roll over any or all of his or her account directly to the TSP in the form and manner prescribed by the TSP record keeper. The administrator or trustee must provide to the TSP record keeper the distribution, information about the type of money included in the distribution (i.e., tax-deferred and/or Roth amounts), and sufficient evidence from which to reasonably conclude that a contribution is a valid rollover contribution (as defined by 26 CFR 1.401(a)(31)-1, Q&A-14).

(2) If the distribution is from a Roth account maintained by an eligible employer plan, the plan administrator must also provide to the TSP record keeper a statement indicating the first year of the participant's Roth 5-year non-exclusion period under the distributing plan and either:

(i) The portion of the direct rollover amount that represents Roth contributions (i.e., basis); or

(ii) A statement that the entire amount of the direct rollover is a qualified Roth distribution (as defined by Internal Revenue Code section 402A(d)(2)).

(b) Indirect rollover by participant...

(3) The participant must submit a certified check, cashier's check, cashier's draft, money order, treasurer's check from a credit union, or personal check, made out to the "Thrift Savings Plan," for the entire amount of the rollover, along with any other information required by the TSP record keeper. A participant may roll over the full amount of the distribution by making up, from his or her own funds, the amount that was withheld from the distribution for the payment of Federal taxes.

[REDACTED]

[REDACTED]

[REDACTED]

GAO's *Standards for Internal Control in the Federal Government* states:

6.09: Management defines risk tolerance in specific and measurable terms so they are clearly stated and can be measured. Risk tolerance is often measured in the same terms as the performance measures for the defined objective. Depending on the Category of objectives, risk tolerance may be expressed as follows:

Compliance Objectives – Concept of risk tolerance does not apply. An entity is either compliant or not compliant.

10.02: Management designs control activities in response to the entity's objectives and risks to achieve and effective internal control system.

10.03: Management designs appropriate types of control activities for the entity's internal control system. Control activities help management fulfill responsibilities and address identified risk responses in the internal control system...

Accurate and timely recording of transactions: Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.

16.05: Management performs ongoing monitoring of the design and operating effectiveness of the internal controls system as part of the normal course of operation. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations, and other routine actions.

- 10. The Agency should require its vendor to design and implement controls to include a review of supporting documentation from the financial institution to determine if the funds requested for rollover are tax-deferred and/or eligible for rollover.**
- 11. The Agency should require its vendor to update existing procedures to require confirmation from the financial institution of the start date of the participant's Roth 5-year non-exclusion period to support compliance with 26 USC 408A(d)(2).**
- 12. The Agency should require its vendor to periodically reinforce applicable regulations, policies, and standard operating procedures to personnel assigned to review and approve rollover requests.**

Without sufficient controls in place over the review and timely processing of rollovers, an increased risk exists that inaccurate or ineligible balances are accepted into the TSP and that the rollovers process is not in compliance with applicable regulations.

2024-13 and 2024-14: Deficiencies Related to Beneficiary Designation Requests

The Agency's vendor did not have sufficient controls in place to properly review beneficiary designation requests prior to processing. Specifically, the Agency and its vendor did not document within its policies or standard operating procedures for beneficiary designation requests that the

electronic submission of a request by the participant constitutes a valid signature and date timestamp. Additionally, in a sample of [REDACTED] beneficiary designations submitted during the scope period of January 1, 2023, through February 29, 2024, we identified the following exceptions:

- [REDACTED] the participant requesting the designation signed the beneficiary designation request as the witness; and
- [REDACTED] the beneficiary identified on the designation also signed the request as the witness.

The Agency and its vendor did not determine that it was necessary to document the policy for accepting electronic signatures or to specify in procedures the forms of participant signature and date timestamp deemed acceptable. Additionally, the witness-related deficiencies occurred because the approver of the beneficiary designation request did not perform a sufficient review of the request to verify that it was completed in accordance with applicable regulations, policies, or procedures.

5 CFR 1651.3(c) states:

To be a valid and accepted by the TSP record keeper, a TSP designation of beneficiary must:

- (3) Be signed and properly dated by the participant and signed and properly dated by one witness:
 - (i) The participant must either sign the designation of beneficiary in the presence of the witness or acknowledge his or her signature on the designation of beneficiary to the witness.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

GAO's *Standards for Internal Control in the Federal Government* states:

3.10: Effective documentation assists in management's design of internal control by establishing and communicating the who, what, when, where, and why of internal control execution to personnel. Documentation also provides a means to retain organizational knowledge and mitigate the risk of having that knowledge limited to a few personnel, as well as a means to communicate that knowledge as needed to external parties, such as external auditors.

6.09: Management defines risk tolerance in specific and measurable terms so they are clearly stated and can be measured. Risk tolerance is often measured in the same terms as the performance measures for the defined objective. Depending on the Category of objectives, risk tolerance may be expressed as follows:

Compliance Objectives – Concept of risk tolerance does not apply. An entity is either compliant or not compliant.

16.05: Management performs ongoing monitoring of the design and operating effectiveness of the internal controls system as part of the normal course of operation. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations, and other routine actions.

- 13. The Agency should require its vendor to augment existing policies or standard operating procedures to clarify what forms of participant signature and date timestamp can be accepted within the beneficiary designation request process.**
- 14. The Agency should require its vendor to periodically reinforce applicable regulations, policies, and standard operating procedures to personnel assigned to review and approve beneficiary designation requests.**

Without sufficient controls in place over the beneficiary designation process, an increased risk exists that ineligible and/or unauthorized individuals are identified as beneficiaries to participant accounts and that the beneficiary designation process is not in compliance with applicable regulations.

OTHER CONTROL FINDINGS AND RECOMMENDATIONS

2024-15: Insufficient Documentation for New Participant Contributions

The Agency and its vendor's controls over new participant TSP contributions did not operate effectively throughout the scope period. Specifically, during our compliance testwork over a sample of ■ participants who began initial contributions to the TSP during this timeframe, the Agency and its vendor did not provide documentation ■ that the participant was notified of their automatic enrollment.

The deficiency occurred because the Agency's vendor did not document its process for retaining notifications to participants of their automatic enrollment.

5 CFR 1600.37 states:

The TSP record keeper shall furnish all new employees and all rehired employees covered by the automatic enrollment program, and all employees described in paragraph (c) of §1600.34, covered by the automatic enrollment program a notice that accurately describes:

- (a) That default employee contributions equal to 5 percent of the employee's basic pay will be deducted from the employee's pay and contributed to the employee's traditional TSP balance on the employee's behalf if the employee does not make an affirmative contribution election;
- (b) The employee's right to elect to not have default employee contributions made to the TSP on the employee's behalf, to elect to have a different percentage or amount of basic pay contributed to the TSP, or to make Roth contributions;
- (c) The TSP core fund in which the default employee and agency contributions will be invested unless the employee makes an investment election;
- (d) The employee's ability (or inability) to request a refund of any default employee contributions (adjusted for allocable gains and losses) and the procedure to request such a refund; and
- (e) That an investment in any fund other than the G Fund is made at the employee's risk, that the employee is not protected by the United States Government or the Board against any loss on the investment, and that neither the United States Government nor the Board guarantees any return on the investment.

GAO's *Standards for Internal Control in the Federal Government* states:

6.09: Management defines risk tolerance in specific and measurable terms so they are clearly stated and can be measured. Risk tolerance is often measured in the same terms as the performance measures for the defined objective. Depending on the Category of objectives, risk tolerance may be expressed as follows:

Compliance Objectives – Concept of risk tolerance does not apply. An entity is either compliant or not compliant.

10.03: Management designs appropriate types of control activities for the entity's internal control system. Control activities help management fulfill responsibilities and address identified risk responses in the internal control system...

Appropriate documentation of transactions and internal control: Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination.

12.03 Management documents in policies for each unit its responsibility for an operational process's objectives and related risks, and control activity design, implementation, and operating effectiveness. [...]

12.04 Those in key roles for the unit may further define policies through day-to-day procedures, depending on the rate of change in the operating environment and complexity of the operational process. Procedures may include the timing of when a control activity occurs and any follow-up corrective actions to be performed by competent personnel if deficiencies are identified. Management communicates to personnel the policies and procedures so that personnel can implement the control activities for their assigned responsibilities.

15. The Agency should require its vendor to document the process for retaining notifications to participants of their automatic enrollment.

Without sufficient controls in place over the contribution process for new participants, an increased risk exists that participant contributions are inaccurate or unauthorized and that the contribution process is not in compliance with applicable regulations.

[Redacted]

[Redacted]

[Redacted]

[Redacted]

- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

GAO's *Standards for Internal Control in the Federal Government* states:

10.03: Management designs appropriate types of control activities for the entity's internal control system. Control activities help management fulfill responsibilities and address identified risk responses in the internal control system...

Appropriate documentation of transactions and internal control: Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination.

16.05: Management performs ongoing monitoring of the design and operating effectiveness of the internal controls system as part of the normal course of operation. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations, and other routine actions.

[REDACTED]

2024-17: Insufficient Documentation for Interfund Transfers

The Agency and its vendor did not have sufficient controls in place to consistently maintain documentation related to completed interfund transfers. Specifically, during our compliance testwork over a sample of [REDACTED] pooled fund transfers and [REDACTED] reallocations during the period of January 1, 2023, through February 29, 2024, we identified [REDACTED] for which the Agency and its vendor did not provide documentation that the completed interfund transfer was confirmed to the participant.

The deficiency occurred because the Agency’s vendor did not document its process for retaining documentation related to interfund transfer confirmations sent to participants to support the consistent operation of the process.

[REDACTED]

[REDACTED]

GAO’s *Standards for Internal Control in the Federal Government* states:

10.03: Management designs appropriate types of control activities for the entity’s internal control system. Control activities help management fulfill responsibilities and address identified risk responses in the internal control system...

Appropriate documentation of transactions and internal control: Management

clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination.

12.03 Management documents in policies for each unit its responsibility for an operational process's objectives and related risks, and control activity design, implementation, and operating effectiveness. [...]

12.04 Those in key roles for the unit may further define policies through day-to-day procedures, depending on the rate of change in the operating environment and complexity of the operational process. Procedures may include the timing of when a control activity occurs and any follow-up corrective actions to be performed by competent personnel if deficiencies are identified. Management communicates to personnel the policies and procedures so that personnel can implement the control activities for their assigned responsibilities.

17. The Agency should require its vendor to document the process for retaining relevant documentation for interfund transfer confirmations.

Without proper document retention supporting communication to participants of completed interfund transfers, an increased risk exists that interfund transfers are inaccurate or unauthorized.

2024-18 and 2024-19: Deficiencies over Timely Forfeiture Processing

The Agency and its vendor did not have sufficient controls in place over the timely processing of forfeitures. Specifically, during our compliance testwork over a sample of ■ statutory forfeitures and ■ other forfeitures processed during our scope period, we identified the following exceptions:

- ■ other forfeitures, all of which were de minimis forfeitures, the transaction was processed more than 60 calendar days after the date that the participant separated from service (specifically, between 62 and 760 days);
- ■ statutory forfeitures, the transaction was processed more than 60 calendar days after the date that the participant separated from service (specifically, between 65 and 398 days); and
- ■ other forfeiture classified as a Civil Service Retirement System (CSRS) forfeiture, the transaction was processed more than 24 hours after the date that the request was received (specifically, 3 days).

The untimely processing of statutory and other forfeitures occurred because the Agency and its vendor configured the TSP system to process forfeitures within 60 calendar days of receipt of separation data, rather than the “as of” date of separation. Additionally, the untimely processing of the CSRS forfeiture occurred because the Agency and its vendor did not design and implement monitoring procedures that would detect personnel not performing or reviewing the manual entry of CSRS forfeitures timely or in accordance with applicable policies or procedures.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

GAO's *Standards for Internal Control in the Federal Government* states:

10.03: Management designs appropriate types of control activities for the entity's internal control system. Control activities help management fulfill responsibilities and address identified risk responses in the internal control system...

Accurate and timely recording of transactions: Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.

11.01: Management should design the entity's information system and related control activities to achieve objectives and respond to risks.

16.05: Management performs ongoing monitoring of the design and operating effectiveness of the internal controls system as part of the normal course of operation. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations, and other routine actions.

- 18. The Agency should require its vendor to revise its forfeiture processing standard operating procedures and/or forfeiture processing system configuration so that required timelines are consistent between them.**
- 19. The Agency should require its vendor to design and implement monitoring controls to support the timely processing of CSRS forfeitures.**

Without sufficient controls in place over the timeliness of forfeiture processing, an increased risk exists that account balances are not appropriately forfeited to the TSP to pay for administrative expenses.

FUNDAMENTAL CONTROL FINDINGS WITHOUT RECOMMENDATIONS

[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED] [REDACTED]
[REDACTED]
[REDACTED] [REDACTED]
[REDACTED]

[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] [REDACTED]
[REDACTED]
[REDACTED]

GAO's *Standards for Internal Control in the Federal Government* states:

3.02: Management establishes the organizational structure necessary to enable the entity to plan, execute, control, and assess the organization in achieving its objectives.

8.06: Management analyzes and responds to identified fraud risks so that they are effectively mitigated. Fraud risks are analyzed through the same risk analysis process performed for all identified risks.

10.03: Management designs appropriate types of control activities for the entity’s internal control system. Control activities help management fulfill responsibilities and address identified risk responses in the internal control system...

Accurate and timely recording of transactions: Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.

[REDACTED]

Deficiency in Reporting New Participant Contribution Elections

During our compliance testwork over a sample of [REDACTED] participants who began initial TSP contributions during the period of January 1, 2023, to February 29, 2024, we identified [REDACTED] in which the participant’s initial TSP contribution was not posted until five months after the participant’s hire date.

This matter occurred because the employing agency did not submit the participant’s contribution in a timely manner upon eligibility. Without timely notification of new participant contribution elections, an increased risk exists that participant contributions are inaccurate or unauthorized.

5 CFR 1600.34(a) states:

All newly hired civilian employees who are eligible to participate in the Thrift Savings Plan and those civilian employees who are rehired after a separation in service of 31 or more calendar days and who are eligible to participate in the TSP will automatically have 5% of their basic pay contributed to the employee's traditional TSP balance (default

employee contribution) unless, by the end of the employee's first pay period (subject to the agency's processing time frames), they elect:

- (1) To not contribute;
- (2) To contribute at some other level; or
- (3) To make Roth contributions in addition to, or in lieu of, traditional contribution.

GAO's *Standards for Internal Control in the Federal Government* states:

6.09: Management defines risk tolerance in specific and measurable terms so they are clearly stated and can be measured. Risk tolerance is often measured in the same terms as the performance measures for the defined objective. Depending on the Category of objectives, risk tolerance may be expressed as follows:

Compliance Objectives – Concept of risk tolerance does not apply. An entity is either compliant or not compliant.

For this sample item, we determined that the TSP timely retroactively processed the contributions based on the participant's hire date once the elections were received from the employing agency. Therefore, we did not consider a recommendation at the Agency level necessary related to this finding.

C. Other Results

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

Differences in the Calculation of Breakage and Negative Adjustments

Our performance audit procedures included using random attribute sampling to select samples of ■ transactions for participants with breakage on late or makeup contributions and ■ transactions for participants with a negative adjustment to contributions during our scope period as noted in Section II.B. During our compliance testwork, we identified differences between the TSP system calculations of breakage and negative adjustments and our re-calculations of these amounts using Microsoft Excel. In total, we identified ■ breakage and ■ negative adjustment differences greater

than \$0.01 and 10%¹⁸ between our re-calculation of the breakage or negative adjustment amount and applicable gains or losses compared to the amounts posted to participant accounts in the TSP system. The differences identified are summarized as follows:

Breakage Differences

Difference Type	Affected Sample Items (#)	Difference Range (\$)	Average Difference (\$)	Difference Range (%)	Average Difference (%)
Gain	■	\$0.02 - 0.09	\$0.04	13.33 - 80.00%	27.06%
Loss	■	\$0.02		22.22%	

Negative Adjustment Differences

Difference Type	Affected Sample Items (#)	Difference Range (\$)	Average Difference (\$)	Difference Range (%)	Average Difference (%)
Gain	■	\$0.02 - 8.11	\$0.60	13.00 - 200.00%	30.42%
Loss	■	\$0.07 - 3.69	\$1.03	21.95 - 88.89%	52.45%

In response to the differences identified in our testwork for breakage and negative adjustments, the Agency and its vendor noted that the differences may be attributable to rounding in the TSP system configuration and were deemed acceptable to them based on their judgmental consideration of ranges for differences in calculations. Procedures over the testing of system configurations prior to their implementation into the TSP system were outside of the scope of this performance audit. As such, we are unable to conclude whether the TSP breakage and negative adjustment processes comply fully with applicable regulations.

5 CFR 1605.2 states:

- (b) Calculating breakage. The TSP record keeper will calculate breakage for all contributions or loan payment corrections as follows:
 - (1) Use the participant's investment election on file for the “as of” date to determine how the funds would have been invested, going back to the earliest daily share

¹⁸ Because neither the relevant CFR references nor the vendor’s standard operating procedures specified an acceptable range for differences in calculations, we judgmentally considered differences less than or equal to \$0.01 and 10.00% to be acceptable during our testing of the samples of breakage and negative adjustments.

prices available. If there is no investment election on file, or one cannot be derived based on the investment of contributions, the TSP record keeper will consider the funds to have been invested in the default investment fund in effect for the participant on the “as of” date;

- (2) Determine the number of shares of the applicable investment funds the participant would have received had the contributions or loan payments been made on time. If the “as of” date is before TSP account balances were converted to shares, this determination will be the number of shares the participant would have received on the conversion date, and will include the daily earnings the participant would have received had the contributions or loan payments been made on the “as of” date;
 - (3) Determine the dollar value on the posting date of the number of shares the participant would have received had the contributions or loan payments been made on time. If the contributions or loan payments would have been invested in a Lifecycle fund that is retired on the posting date, the share price of the L Income Fund will be used. The dollar value shall be the number of shares the participant would have received had the contributions or loan payments been made on time multiplied by the share price; and
 - (4) The difference between the dollar value of the contribution or loan payment on the posting date and the dollar value of the contribution or loan payment on the “as of” date is the breakage.
- (e) Posting of multiple contributions. If the TSP record keeper posts multiple makeup or late contributions or late loan payments with different “as of” dates for a participant on the same business day, the amount of breakage charged to the employing agency or forfeited to the TSP will be determined separately for each transaction, without netting any gains or losses attributable to different “as of” dates. In addition, gains and losses from different sources of contributions or different TSP core funds will not be netted against each other. Instead, breakage will be determined separately for each as-of date, TSP core fund, and source of contributions.

5 CFR 1605.12(c) states:

Processing negative adjustments. To determine current value, a negative adjustment will be allocated among the TSP core funds as it would have been allocated on the attributable

pay period (as reported by the employing agency). The TSP record keeper will, for each source of contributions and TSP core fund:[...]

(2) If the attributable pay date of the negative adjustment is after the date TSP accounts were converted to shares, the TSP record keeper will, for each source of contributions and TSP core fund:

- (i) Determine the number of shares that represent the amount of the contribution to be removed using the share price on the attributable pay date; and
- (ii) Multiply the price per share on the date the adjustment is posted by the number of shares calculated in paragraph (c)(2)(i) of this section. If the contribution was erroneously contributed to a Lifecycle fund that is retired on the date the adjustment is posted, the share price of the L Income Fund will be used.



GAO's *Standards for Internal Control in the Federal Government* states:

11.02: Management designs the entity's information system and related control activities to achieve objectives and respond to risks.

11.05: Management also evaluates information processing objectives to meet the defined information requirements. Information processing objectives may include the following:

Accuracy – Transactions are recorded at the correct amount in the right account (and on a timely basis) at each stage of processing.

The differences we identified associated with the calculation of breakage and negative adjustment transactions could indicate an increased risk of inaccurate transactions being posted to participant account balances and related amounts not being returned to employing agencies or forfeited to the TSP in accordance with applicable regulations.

Delays in Receipt of Supporting Documentation and Responses to Potential Observations

We requested that the Agency and its vendor provide documentation to support key transactions and balances in the account maintenance process. However, we noted that certain documentation

was not provided on a timely basis. For example, during the fieldwork phase of our audit, certain populations of requested data were provided one to three weeks after the original due dates. Subsequent requests for initial documentation and follow-up requests for certain compliance sample items were provided one to two weeks after the original due dates. These delays resulted in a two-month extension of the fieldwork phase.

Additionally, we requested that the Agency and its vendor respond to potential observations summarizing the exceptions identified during our performance audit procedures. However, we noted that responses for 10 of 13 observations were not provided on a timely basis (i.e., within five business days of receipt of the potential observation). Many responses were provided one to two weeks after the original due dates, with one response provided two months after the response due date. Responses to seven potential observations included additional documentation for [REDACTED] sample items that was not provided in response to initial sample documentation requests or follow-up requests. By the end of our audit fieldwork, the Agency and its vendor did not respond to two potential observations provided two and three weeks prior to the end of fieldwork.

These delays primarily occurred because of the recent implementation of a new recordkeeping system and related key changes to the account maintenance process. As a result of these changes, the Agency and its vendor required additional time to determine what documentation would fulfill our requests. The Agency and its vendor also required additional time to research the exceptions identified and related root causes for the conditions identified in the potential observations. By the end of our fieldwork, the Agency and its vendor provided all requested audit documentation except for the items noted in Section III.B.

D. Summary of Open Recommendations

2024 RECOMMENDATIONS

RECOMMENDATIONS TO ADDRESS FUNDAMENTAL CONTROLS

Deficiencies Related to Manual Adjustment Review Controls

1. The Agency should require its vendor to design and implement controls to include a review of manual adjustments to participant accounts.
2. The Agency should require its vendor to design and implement segregation of duties controls to limit the ability to process manual adjustments to only those who have been assigned to process manual adjustments.
3. The Agency should require its vendor to enhance existing policies and procedures to include a timeline for review of manual adjustment requests in accordance with applicable regulations.

Deficiencies in Automatic Enrollment Refund Processing

4. The Agency should require its vendor to modify the system configuration for automatic enrollment refunds to include the full amount of eligible contributions, including applicable gains, and exclude ineligible refund requests.

Deficiency in Processing Breakage for Late Contributions

5. The Agency should require its vendor to modify the system configuration for the breakage calculation to exclude late contributions of less than \$1.00.

Deficiencies in Uniformed and Civilian Account Combination Review

6. The Agency should require its vendor to verify that the system configuration implemented in the TSP system combines accounts with multiple funds using the elections in the gaining account.

7. The Agency should require its vendor to complete remediation of participant account combinations impacted by the incorrect system configuration that existed prior to September 28, 2023, and remediate inaccurate account combinations processed on and subsequent to September 28, 2023.
8. The Agency should require its vendor to periodically reinforce applicable regulations, policies, and standard operating procedures with personnel assigned to review and approve account combination requests.

Deficiencies Related to Processing of Forfeiture Restorals

9. The Agency should require its vendor to design and implement monitoring controls to support the effective and timely functioning of the forfeiture restoral review control.

Deficiencies Related to Processing of Rollovers

10. The Agency should require its vendor to design and implement controls to include a review of supporting documentation from the financial institution to determine if the funds requested for rollover are tax-deferred and/or eligible for rollover.
11. The Agency should require its vendor to update existing procedures to require confirmation from the financial institution of the start date of the participant's Roth 5-year non-exclusion period to support compliance with 26 USC 408A(d)(2).
12. The Agency should require its vendor to periodically reinforce applicable regulations, policies, and standard operating procedures to personnel assigned to review and approve rollover requests.

Deficiencies Related to Beneficiary Designation Requests

13. The Agency should require its vendor to update augment existing policies or standard operating procedures to clarify what forms of participant signature and date timestamp can be accepted within the beneficiary designation request process.
14. The Agency should require its vendor to periodically reinforce applicable regulations, policies, and standard operating procedures to personnel assigned to review and approve beneficiary designation requests.

RECOMMENDATIONS TO ADDRESS OTHER CONTROLS

Insufficient Documentation for New Participant Contributions

15. The Agency should require its vendor to document the process for retaining notifications to participants of their automatic enrollment.



Insufficient Documentation for Interfund Transfers

17. The Agency should require its vendor to document the process for retaining relevant documentation for interfund transfer confirmations.

Deficiencies over Timely Forfeiture Processing

18. The Agency should require its vendor to revise its forfeiture processing standard operating procedures and/or forfeiture processing system configuration so that required timelines are consistent between them.
19. The Agency should require its vendor to design and implement monitoring controls to support the timely processing of CSRS forfeitures.

AGENCY'S RESPONSE



FEDERAL RETIREMENT THRIFT INVESTMENT BOARD
77K Street, NE Washington DC 20002

September 4, 2024

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

Dear Michael:

This letter is in response to KPMG's email dated August 13, 2024, transmitting the KPMG LLP report entitled Employee Benefits Security Administration Performance Audit of the Account Maintenance Audit, dated August 2024. My comments with respect to this report are enclosed.

Thank you once again for the constructive approach that the Department of Labor and its contractors are taking in conducting the various audits of the TSP. The information and recommendations that are developed as a result of your reviews are useful to the continued improvement of the Thrift Savings Plan.

Very truly yours,



Ravindra Deo

Enclosure

AGENCY'S RESPONSE, CONTINUED

Executive Director's Staff Formal Comments on the
Employee Benefits Security Administration Performance Audit over the
FY24 Account Maintenance Audit

2024 FINDINGS AND RECOMMENDATIONS

Finding: Deficiencies Related to Manual Adjustment Review Controls

Condition

The Agency and its vendor did not have sufficient controls in place over the process to manually adjust participant accounts. Specifically, we identified the following:

- No preventive or detective control was in place specific to the review of manual adjustments to determine if they were processed in accordance with applicable policies and procedures;
- Appropriate controls were not implemented in the TSP system related to manual adjustments to support proper segregation of duties. Specifically, the user roles in the TSP system were not configured to restrict users outside of those assigned to process manual adjustments from processing manual adjustments; and
- For 11 of 58 sampled manual adjustments made during the period of January 1, 2023, through February 29, 2024, the transaction was processed more than 30 days (specifically, between 33 and 347 days) after the adjustment was requested or recognized by the Agency's vendor for processing.

Recommendation Name: Manual Adjustment Quality Control Reviews

2024 - 01 Recommendation

The Agency should require its vendor to design and implement controls to include a review of manual adjustments to participant accounts.

Agency Response

The Agency concurs. We will work with the vendor to design and implement specific review controls for manual adjustments.

Recommendation Name: Segregation of Duties for Manual Adjustments

2024 – 02 Recommendation

The Agency should require its vendor to design and implement segregation of duties controls to limit the ability to process manual adjustments to only those who have been assigned to process manual adjustments.

Agency Response

The Agency non-concurs. The condition of the audit finding does not align with the suggested recommendation. Specifically, the condition describes a potential issue with user access controls; however, the recommendation is suggesting the Agency implement “segregation of duties

AGENCY'S RESPONSE, CONTINUED

controls”. As part of Converge’s overall access control policies and procedures, the Converge program uses a role-based framework for access provisioning where Converge user’s access permissions/entitlements are provisioned to the user based on the project role the user performs, establishing proper segregation of duties.

Additionally, the current structure of user access permissions for the Converge program are considered adequate to support business operations and resource needs. Specific to Converge’s manual adjustments process, access to support this functionality is managed through an access group defined within the Resource Access Control Facility system component named ODGPROD. The ODGPROD group grants users the access rights required to execute transactions on the recordkeeping system in accordance with their role on the Converge program. The existing access control framework is designed, implemented, and operates in accordance with the program requirements which are aligned to NIST controls defined for the program.

Further, the current framework provides an effective mechanism to maintain the proper levels of services in unforeseen circumstances (e.g., mitigation of single points of failure, pandemic environments, etc.). The configuration of a dedicated operations team allows Converge to shift resources more effectively to support dynamic recordkeeping operations and maintain seamless service delivery. Thus, Converge’s framework has adequate controls for user roles and system access to mitigate risk to an acceptable level and not impede on the quality and timeliness of operations

In addition to the access control group configuration defined above, additional controls are in place to monitor and mitigate the risk identified by the audit:

1. Reconciliation of accounting activity is performed daily to ensure accuracy of records.
2. Manual adjustment requests are tracked in a ticketing system and each individual accounting maintenance activity processed is tracked.
3. Detailed standard operation procedures for manual adjustments are available to all personnel within ODGPROD to provide guidance on how manual adjustments are processed.
4. User actions performed by ODGPROD group members are logged and traceable to the individual who performed the identified actions for identification of proper authorization.

Recommendation Name: Enhance Manual Adjustment Policy and Procedures

2024 – 03 Recommendation

The Agency should require its vendor to enhance existing policies and procedures to include a timeline for review of manual adjustment requests in accordance with applicable regulations.

Agency Response

The Agency Concur. We will work with the vendor to establish and document a timeline for manual adjustment requests.

AGENCY'S RESPONSE, CONTINUED

Finding: Deficiencies in Automatic Enrollment Refund Processing

Condition

The Agency and its vendor did not have sufficient controls in place to properly review and process automatic enrollment refunds in accordance with applicable regulations. Specifically, during our compliance testwork over a sample of 58 automatic enrollment refunds during the period of January 1, 2023, to February 29, 2024, we identified the following:

- For 24 sample items, the full automatic enrollment contribution, including applicable gains, was not refunded to the participant; and
- For three sample items, the participant was refunded contributions that were ineligible for refund as they were not default contributions.

Recommendation Name: Automatic Enrollment Refund System Configurations

2024 - 04 Recommendation

The Agency should require its vendor to modify the system configuration for automatic enrollment refunds to include the full amount of eligible contributions, including applicable gains, and exclude ineligible refund requests.

Agency Response

The Agency concurs. We will work with the vendor to ensure proper system configurations for automatic enrollment refunds.

Finding: Deficiency in Processing Breakage for Late Contributions

Condition

The Agency and its vendor did not have sufficient controls in place over the calculation of breakage related to late contributions. Specifically, during our compliance testwork over a sample of 58 breakage transactions during the period of January 1, 2023, to February 29, 2024, we identified 3 sample items where breakage was calculated on a late payment record that totaled less than \$1.00.

Recommendation Name: Breakage Calculation System Configuration

2024 - 05 Recommendation

The Agency should require its vendor to modify the system configuration for the breakage calculation to exclude late contributions of less than \$1.00.

Agency Response

The Agency concurs. We will work with the vendor to address deficiencies identified with contributions of less than \$1.00 for breakage calculations.

AGENCY'S RESPONSE, CONTINUED

Finding: Deficiencies in Uniformed and Civilian Account Combination Review

Condition

The Agency and its vendor did not have sufficient controls in place to properly review participant requests for account combinations. Specifically, during our compliance testwork over a sample of 58 uniformed-civilian account combinations processed during the period of January 1, 2023, through February 29, 2024, we identified the following exceptions:

- For 44 sample items (34 prior and 10 subsequent to September 28, 2023) related to participants with account contributions in multiple funds, the funds were moved to the gaining account using the closing account elections, rather than in accordance with the elections in the gaining account; and
- For one sample item, the participant's spouse did not provide spousal consent for the combination.

Recommendation Name: TSP Combined Accounts System Configuration

2024 - 06 Recommendation

The Agency should require its vendor to verify that the system configuration implemented in the TSP system combines accounts with multiple funds using the elections in the gaining account.

Agency Response

The Agency concurs. We will work with the vendor to ensure proper system configurations for combined accounts.

Recommendation Name: Remediation of TSP Participant Account Combination

2024 – 07 Recommendation

The Agency should require its vendor to complete remediation of participant account combinations impacted by the incorrect system configuration that existed prior to September 28, 2023, and remediate inaccurate account combinations processed on and subsequent to September 28, 2023.

Agency Response

The Agency concurs. We will work with the vendor to ensure the remediation of any improper account combinations prior to September 28, 2023, and if identified, any improper account combinations identified by the auditors after September 28, 2023. Remediation steps are in progress for impacted participant accounts.

Recommendation Name: Reinforce Reviews of Account Combination Request

2024 - 08 Recommendation

The Agency should require its vendor to periodically reinforce applicable regulations, policies, and standard operating procedures with personnel assigned to review and approve account combination requests.

AGENCY'S RESPONSE, CONTINUED

Agency Response

The Agency concurs. We will work with the vendor to ensure the reinforcement of applicable policies and procedures for proper review and approvals of account combination requests.

Finding: Deficiencies Related to Processing of Forfeiture Restorals

Condition

The Agency and its vendor did not have sufficient controls in place over the review and timely processing of forfeiture restorals. Specifically, during our control and compliance testwork over a sample of 58 forfeiture restorals processed during our scope period, we identified the following exceptions:

- For 17 sample items, the forfeiture was restored more than 24 hours after receipt when requested by the payroll agency (specifically, between 2 and 117 days);
- For 13 sample items, the abandoned account was restored more than 72 hours after receipt when requested by the participant (specifically, between 4 and 33 days);
- For eight sample items, the form requesting the forfeiture restoration (TSP-5-R) submitted by the payroll agency was incomplete;
- For one sample item, the reviewer did not confirm that the error was corrected in the TSP system prior to processing the forfeiture restoration; and
- For one sample item, the previously abandoned funds were not restored to the appropriate investment fund.

Recommendation Name: Timely Forfeiture Restorals

2024 - 09 Recommendation

The Agency should require its vendor to design and implement monitoring controls to support the effective and timely functioning of the forfeiture restoration review control.

Agency Response

The Agency concurs. We will work with the vendor to evaluate the standard operation procedures and the implementation of any additional monitoring controls as needed.

Finding: Deficiencies Related to Processing of Rollovers

Condition

The Agency and its vendor did not have sufficient controls in place over the review and timely processing of rollovers. Specifically, during our control and compliance testwork over a sample of 58 rollovers during the period of January 1, 2023, through February 29, 2024, we identified the following exceptions:

- For one sample item, supporting documentation from the financial institution was not sufficient to reasonably conclude that the funds were tax-deferred and/or eligible for rollover;

AGENCY'S RESPONSE, CONTINUED

- For two sample items, supporting documentation from the financial institution was not sufficient to reasonably conclude that the funds were eligible for Roth rollover and to document the start date of the participant's 5-year non-exclusion period;
- For two sample items, the participant's rollover request listed a distributing financial institution that did not agree to the financial institution listed on the check and/or supporting documentation;
- For three sample items, the participant's rollover request was processed more than 48 business hours after the participant submitted all required documentation (specifically, between 4 and 14 business days);
- For one sample item, the rollover amount was not allocated between the tax-deferred and Roth rollover sources in accordance with the participant's request; and
- For one sample item, the participant's indirect rollover check was addressed to the participant but not endorsed to the TSP.

Recommendation Name: Verify Financial Institution Supporting Documentation

2024 - 10 Recommendation

The Agency should require its vendor to design and implement controls to include a review of supporting documentation from the financial institution to determine if the funds requested for rollover are tax-deferred and/or eligible for rollover.

Agency Response

The Agency concurs. We will work with the vendor to implement a process to ensure proper financial institution documentation is reviewed and considered in determining the eligibility requirements for rollover requests.

Recommendation Name: TSP Rollover Start Date Confirmation

2024 - 11 Recommendation

The Agency should require its vendor to update existing procedures to require confirmation from the financial institution of the start date of the participant's Roth 5-year non-exclusion period to support compliance with 26 USC 408A(d)(2).

Agency Response

The Agency concurs. We will work with the vendor to ensure existing procedures are updated for compliance with 26 USC 408A(d)(2).

Recommendation Name: Reinforce Review of Rollover Request

2024 - 12 Recommendation

The Agency should require its vendor to periodically reinforce applicable regulations, policies, and standard operating procedures to personnel assigned to review and approve rollover requests.

Agency Response

The Agency concurs. We will work with the vendor to ensure the reinforcement of applicable policies and procedures for proper review and approval of rollover requests.

AGENCY'S RESPONSE, CONTINUED**Finding:** Deficiencies Related to Beneficiary Designation Requests**Condition**

The Agency's vendor did not have sufficient controls in place to properly review beneficiary designation requests prior to processing. Specifically, the Agency and its vendor did not document within its policies or standard operating procedures for beneficiary designation requests that the electronic submission of a request by the participant constitutes a valid signature and date timestamp. Additionally, in a sample of 58 beneficiary designations submitted during the scope period of January 1, 2023, through February 29, 2024, we identified the following exceptions:

- For one sample item, the participant requesting the designation signed the beneficiary designation request as the witness; and
- For one sample item, the beneficiary identified on the designation also signed the request as the witness.

Recommendation Name: Beneficiary Designation Participant Signature

2024 - 13 Recommendation

The Agency should require its vendor to augment existing policies or standard operating procedures to clarify what forms of participant signature and date timestamp can be accepted within the beneficiary designation request process.

Agency Response

The Agency non-concurs. The legal review of what constitutes an e-signature and the level of system detail illustrating the retention of signatures is not information suitable for a policy document or standard operating procedures. Alternatively, we will work with the vendor to ensure the necessary information and explanations are sufficiently documented, referenced where necessary, and made readily available.

Recommendation Name: Reinforce Reviews of Beneficiary Designation Requests

2024 - 14 Recommendation

The Agency should require its vendor to periodically reinforce applicable regulations, policies, and standard operating procedures to personnel assigned to review and approve beneficiary designation requests.

Agency Response

The Agency concurs. We will work with the vendor to ensure the reinforcement of applicable policies and procedures for manual reviews and approvals of beneficiary designation requests. Additionally, for request processed electronically, we will establish any reinforcements through system processes.

AGENCY'S RESPONSE, CONTINUED**Finding:** Insufficient Documentation for New Participant Contributions**Condition**

The Agency and its vendor's controls over new participant TSP contributions did not operate effectively throughout the scope period. Specifically, during our compliance testwork over a sample of 58 participants who began initial contributions to the TSP during this timeframe, the Agency and its vendor did not provide documentation for one sample item that the participant was notified of their automatic enrollment.

Recommendation Name: TSP New Participant Notification Retention

2024 - 15 Recommendation

The Agency should require its vendor to document the process for retaining notifications to participants of their automatic enrollment.

Agency Response

The Agency concurs. We will work with the vendor to update procedures applicable to the retention of participant automatic enrollment notifications.

Finding: Insufficient Documentation for Review of Potential Fraudulent Activity**Condition**

The Agency and its vendor's review control for investigating potential fraudulent activity was not operating effectively throughout our scope period. Specifically, during our control testwork over a sample of 45 transactions flagged as potential fraudulent activity during the period of January 1, 2023 to February 29, 2024, we identified one sample item for which the Agency and its vendor did not provide documentation to support the disposition of the potential fraudulent activity.

Recommendation Name: Retention of Fraudulent Activity Depositions

2024 - 16 Recommendation

The Agency should require its vendor to enhance supervisory review procedures over the documentation supporting the disposition of potential fraudulent activities.

Agency Response

The Agency concurs. We will work with the vendor to assess their review process implemented in January 2024 to ensure it contains adequate processes to retain the disposition of potential fraudulent activities.

Finding: Insufficient Documentation for Interfund Transfers**Condition**

The Agency and its vendor did not have sufficient controls in place to consistently maintain documentation related to completed interfund transfers. Specifically, during our compliance testwork over a sample of 58 pooled fund transfers and 58 reallocations during the period of

AGENCY'S RESPONSE, CONTINUED

January 1, 2023, through February 29, 2024, we identified three sample items for which the Agency and its vendor did not provide documentation that the completed interfund transfer was confirmed to the participant.

Recommendation Name: Retention of Interfund Transfer Confirmation

2024 - 17 Recommendation

The Agency should require its vendor to document the process for retaining relevant documentation for interfund transfer confirmations.

Agency Response

The Agency concurs. We will work with the vendor to ensure the retention of relevant documentation for interfund transfer confirmations.

Finding: Deficiencies over Timely Forfeiture Processing

Condition

The Agency and its vendor did not have sufficient controls in place over the timely processing of forfeitures. Specifically, during our compliance testwork over a sample of 58 statutory forfeitures and 58 other forfeitures processed during our scope period, we identified the following exceptions:

- For 55 other forfeitures, all of which were de minimis forfeitures, the transaction was processed more than 60 calendar days after the date that the participant separated from service (specifically, between 62 and 760 days);
- For 58 statutory forfeitures, the transaction was processed more than 60 calendar days after the date that the participant separated from service (specifically, between 65 and 398 days); and
- For one other forfeiture classified as a Civil Service Retirement System (CSRS) forfeiture, the transaction was processed more than 24 hours after the date that the request was received (specifically, 3 days).

Recommendation Name: Forfeiture Processing Policy and Procedures Update

2024 - 18 Recommendation

The Agency should require its vendor to revise its forfeiture processing standard operating procedures and/or forfeiture processing system configuration so that required timelines are consistent between them.

Agency Response

The Agency concurs. The vendor has implemented corrective actions to ensure their standard operating procedure documentation aligns with how the recordkeeping system is currently configured to administer the 60-day forfeiture timing for Agency review.

AGENCY'S RESPONSE, CONTINUED

Recommendation Name: Timely processing of CSRS Forfeitures

2024 - 19 Recommendation

The Agency should require its vendor to design and implement monitoring controls to support the timely processing of CSRS forfeitures.

Agency Response

The Agency concurs. We will work with the vendor to ensure updates to standard operating procedures accurately reflects the expected processing time for CSRS forfeitures.

FUNDAMENTAL CONTROL FINDINGS WITHOUT RECOMMENDATIONS

The Agency disagrees with the auditor's statement noted under the section entitled *Differences in the Calculation of Breakage and Negative Adjustments* stating the following:

“In response to the differences identified in our testwork for breakage and negative adjustments, the Agency and its vendor noted that the differences may be attributable to rounding in the TSP system configuration and were deemed acceptable to them based on their judgmental consideration of ranges for differences in calculations.”

As noted during the audit, the Agency believes the rounding differences noted within KPMG's testwork is due to a comparison of calculations being performed using system code within the recordkeeping system to the audit team's reperformance of these same calculations within an Excel spreadsheet. More importantly, the Agency deemed the calculations from the recordkeeping system accurate because they are configured to comply with the applicable requirements and criteria from the Code of Federal Regulations. However, we appreciate the auditor's review and communication on this matter, and we will continue to monitor to ensure any potential risk of inaccuracy is mitigated to the lowest extent possible.

As it relates to the report section on *Delays in Receipt of Supporting Documentation and Responses to Potential Observations*, the Agency would like to clarify that contributions to the two-month delay also included additional time needed for legal reviews to be completed by the Agency's Office of General Counsel to assist the audit team in understanding certain TSP processes as well as delayed follow-ups and audit requests by the external audit team. For example, the Agency's vendor requested clarification in March 2024 regarding an audit request for a population of errors in payroll processing. This clarification request resulted in the audit team revising the audit request due date to “TBD” (To Be Determined). It wasn't until June 2024 that the audit team followed up on this audit request due to Agency concerns related to the issuance of a potential observation. The delayed follow-up required the auditors to request additional sample documentation so the audit team could sufficiently complete audit testing. This delayed follow-up by the audit team added additional weeks to the audit to include the time needed by the Agency's vendor to provide the requested information and time for the audit team to review. After the auditors completed the additional testwork, the audit team retracted the related potential observation.

AGENCY'S RESPONSE, CONTINUED

The Agency has always and continues to be committed to ensuring that we diligently work with the external auditors to provide sufficient and accurate documentation to support the needs of the audits. We appreciate the auditors' efforts in working with the Agency and its vendor to ensure the final audit report provides valuable recommendations in support of the Agency's TSP program and its participants and beneficiaries.

KEY DOCUMENTATION AND REPORTS REVIEWED

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

- *Summary of the Thrift Savings Plan*, dated January 2024
- FRTIB Office of the Chief Financial Officer (OCFO) [REDACTED], dated July 31, 2022
- [REDACTED], dated September 30, 2023
- [REDACTED] Share Price Investment Detail for various dates in the period of January 1, 2023, through February 29, 2024
- [REDACTED] for various dates in the period of January 1, 2023, through February 29, 2024
- TSP website – Share Price History
- TSP website – Share Price Calculation
- Minutes of the meetings of the FRTIB that occurred during the period of January 2023 through June 2024
- TSP Bulletin 15-1, *Thrift Savings Plan Vesting Requirements and TSP Service Computation Date*, dated July 9, 2015
- TSP Bulletin 17-U-1, *Implementation of the Blended Retirement System*, dated April 5, 2017
- TSP Bulletin 18-2, *TSP Forfeitures and Forfeiture Restoration Procedures*, dated November 5, 2018
- TSP Bulletin 20-4, *Default Investment Fund for Civilian and Beneficiary TSP Participants*, dated July 1, 2020
- TSP Bulletin 23-6, *2024 TSP Contribution Limits*, dated November 23, 2023

Agency Vendor Documents and Reports

- *Converge* [REDACTED], dated February 2024
- *Converge* [REDACTED], provided June 17, 2024
- *Converge* [REDACTED], dated February 2024
- *Converge* [REDACTED], dated January 31, 2024
- *Converge* [REDACTED], dated February 1, 2024
- *Converge* [REDACTED], dated February 9, 2024

KEY DOCUMENTATION AND REPORTS REVIEWED, CONTINUED

- *Converge* [REDACTED], dated March 2024
- *Converge* [REDACTED], dated February 7, 2024
- *Converge* [REDACTED], dated March 2024
- *Converge* [REDACTED], dated February 7, 2024
- *Converge* [REDACTED], dated February 2024
- *Converge* [REDACTED], provided January 29, 2024
- *Converge* [REDACTED], provided February 2, 2024
- *Converge* [REDACTED], dated February 2024
- *Converge* [REDACTED], dated February 2024
- *Converge* [REDACTED], dated February 7, 2024
- *Converge* [REDACTED], dated February 7, 2024
- *Converge* [REDACTED], dated October 2, 2023
- *Converge* [REDACTED], dated February 5, 2024
- *Converge* [REDACTED], dated November 2023
- *Converge* [REDACTED], dated February 2024
- *Converge* [REDACTED], dated January 2024
- *Converge* [REDACTED], dated January 2024
- *Converge* [REDACTED], dated February 2024
- *Converge* [REDACTED], dated February 7, 2024
- Electronic listing of all transactions flagged as potentially fraudulent during the period January 1, 2023, through February 29, 2024
- Electronic listing of all Journal Vouchers with errors during the period January 1, 2023, through February 29, 2024
- Electronic listing of all participants who contributed to their TSP account during the period January 1, 2023, through February 29, 2024
- Electronic listing of all newly established participant accounts during the period January 1, 2023, through February 29, 2024

KEY DOCUMENTATION AND REPORTS REVIEWED, CONTINUED

- Electronic listing of all breakage transactions during the period January 1, 2023, through February 29, 2024
- Electronic listing of all negative adjustment transactions during the period January 1, 2023, through February 29, 2024
- Electronic listing of all rollovers during the period January 1, 2023, through February 29, 2024
- Electronic listing of all participants with interfund transfers during the period January 1, 2023, through February 29, 2024
- Electronic listing of all forfeitures during the period January 1, 2023, through February 29, 2024
- Electronic listing of all separated participants during the period January 1, 2023, through February 29, 2024
- Electronic listing of all forfeiture restorations during the period January 1, 2023, through February 29, 2024
- Electronic listing of all auto-enrollment refunds requested by participants during the period January 1, 2023, through February 29, 2024
- Electronic listing of all participants with civilian and uniformed services accounts that were combined during the period January 1, 2023, through February 29, 2024
- Electronic listing of all participants who submitted a catch-up contribution during the period January 1, 2023, through February 29, 2024
- Electronic listing of all participants who elected at least one beneficiary during the period January 1, 2023, through February 29, 2024
- Electronic listing of all manual adjustments during the period January 1, 2023, through February 29, 2024
- Electronic listing of all system users with access to the mainframe environment as of February 29, 2024
- Electronic listing of participant support representatives and their assigned system roles as of February 29, 2024
- [REDACTED]
[REDACTED] during the period January 1, 2023, through February 29, 2024
- TSP system screenshots and supporting documentation for selected journal vouchers with errors during the period January 1, 2023, through February 29, 2024
- TSP system screenshots and supporting documentation for selected actively contributing participants during the period January 1, 2023, through February 29, 2024

KEY DOCUMENTATION AND REPORTS REVIEWED, CONTINUED

- TSP system screenshots and supporting documentation for selected newly established participant accounts during the period January 1, 2023, through February 29, 2024
- TSP system screenshots and supporting documentation for selected breakage transactions during the period January 1, 2023, through February 29, 2024
- TSP system screenshots and supporting documentation for selected negative adjustment transactions during the period January 1, 2023, through February 29, 2024
- TSP system screenshots and supporting documentation for selected rollovers during the period January 1, 2023, through February 29, 2024
- TSP system screenshots and supporting documentation for selected participants with reallocations during the period January 1, 2023, through February 29, 2024
- TSP system screenshots and supporting documentation for selected participants with fund transfers during the period January 1, 2023, through February 29, 2024
- TSP system screenshots and supporting documentation for selected participants with more than two interfund transfers during the period January 1, 2023, through February 29, 2024
- TSP system screenshots and supporting documentation for selected non-statutory forfeitures during the period January 1, 2023, through February 29, 2024
- TSP system screenshots and supporting documentation for selected statutory forfeitures during the period January 1, 2023, through February 29, 2024
- TSP system screenshots and supporting documentation for selected separated participants during the period January 1, 2023, through February 29, 2024
- TSP system screenshots and supporting documentation for selected forfeiture restorations during the period January 1, 2023, through February 29, 2024
- TSP system screenshots and supporting documentation for selected auto-enrollment refund requests during the period January 1, 2023, through February 29, 2024
- TSP system screenshots and supporting documentation for selected civilian and uniformed services account combinations during the period January 1, 2023, through February 29, 2024
- TSP system screenshots and supporting documentation for selected participants with a catch-up contribution during the period January 1, 2023, through February 29, 2024
- TSP system screenshots and supporting documentation for selected participants with a beneficiary designation during the period January 1, 2023, through February 29, 2024
- TSP system screenshots and supporting documentation for selected manual adjustments during the period January 1, 2023, through February 29, 2024