

Internal Audit Update

Presented By
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January 23, 2024

Agenda

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CY2023 Internal Audit Plan

| Audit | January | February | March | April | May | June | July | August | September | October | November | December |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| Special Project: Program Office File Review | Completed | Completed | Completed | Completed | Completed | Completed | Completed | Completed | Completed | Completed | Completed | In Process |
| TSP Fraud Risk Oversight | | Completed | Completed | Completed | Completed | Completed | Completed | | | | | |
| Insider Threat | | | Completed | Completed | Completed | | | | | | | |
| TSP Death Benefits | | | Completed | Completed | Completed | | | | | | | |
| E-Travel ORM | | | | | Completed | Completed | Completed | Completed | | | | |
| Interagency Agreements | | | | | | | Completed | Completed | Completed | Completed | | |
| Monitoring of Converge | | | | | | | Completed | Completed | Completed | Completed | Completed | |
| FSM: PRISM/Oracle (*) | | | | | | | | | Planned | Planned | Planned | |
| OED File Plan | | | | | | | | | | | | In Process |
| Improper Payments (^) | | | | | | | | | | | | In Process |
| Records Management (*) | | | | | | | | | | | | Planned |
| FISMA | | Completed | Completed | Completed | Completed | Completed | Completed | | | | | |

As of January 1 2024

- Completed (7)
- In Process (3)
- Original Date Planned (1)
- Planned (1)

(*) Audit moved to the 2024 audit plan.

(^) Begin in 2023 and complete in 2024

Interagency Agreements Audit

- **Objective:**
 - Conduct a test of critical controls for the Interagency Agreements process.
 - Identify weaknesses found during the testing of critical controls.
- **Scope:** All active agreements as of July 31, 2023.
- **Findings:** No NFRs but noted an Other Matter: OTS and the Agreements Branch should establish a proactive protocol to relay ISA information about FRTIB agreements.

Monitoring of Converge Audit – Report in Draft

- **Objective:**

- Conduct a test of critical controls for the Monitoring of Converge process
- Identify weaknesses found during the testing of critical controls

- **Scope:**

- The review process for Contract Data Requirements Lists (CDRLs) reports from July 2022 to August 2023

- **Findings:**

- Report with OPE for comments and review. One draft NFR issued (similar in nature to previous NFR's).
- Other Matters noted for consideration.

ORM and OED File Plan reviews

- **Timing:**

- Reviews conducted in December 2023 and early January 2024

- **Objective:**

- To provide a preliminary review of ORM's compliance with Office File Plans
- To revisit status of OED's compliance with Office File Plan from 2021

- **Observations:**

- ORM
 - File folders are not in a consolidated location and spread out among different branches, making it difficult to confirm compliance with Office File Plan disposition requirements.
- OED
 - No changes to file folders prior to 2022.
 - Missing information for 2022 and 2023 folders.

Status of Internal Audit Findings

Calendar Years 2017 – 2023

| Status by Year | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Total |
|----------------|------|------|------|------|------|------|------|-------|
| Closed | 7 | 2 | 5 | 5 | 4 | 0 | 0 | 53 |
| In Process | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 1 |
| Open | 0 | 0 | 0 | 0 | 2 | 6 | 4 | 12 |
| Grand Total | 7 | 2 | 5 | 6 | 6 | 6 | 4 | 66 |

Definitions:

Open: Finding has not been remediated yet.

Closed: IA has reviewed remediation documentation and considers the finding closed.

In Process: Currently under IA review.

*Note: Previous audit findings (2020) were not risk rated consistently. 2016 and earlier data has been archived.

Other Internal Audit Activities

- Drafting, issuing and awarding contract for 2024 Annual FISMA audit
- Drafting and soliciting contract for 2024/2025 Internal Audit plans
- Executing Improper Payment audit and Planning for upcoming audits
- Updated Internal Audit Strategic Plan for 2024

CY2024 Internal Audit Plan Tentative

| Audit | January | February | March | April | May | June | July | August | September | October | November | December |
|---|---------|----------|-------|-------|-----|------|------|--------|-----------|---------|----------|----------|
| Special Project: Program Office File Review (OED/ORM) (*) | | | | | | | | | | | | |
| Improper Payments (*) | | | | | | | | | | | | |
| Records Management | | | | | | | | | | | | |
| Review of Internal Control Process | | | | | | | | | | | | |
| AuditNow Implementation Review | | | | | | | | | | | | |
| Compliance with E.O. 14035 | | | | | | | | | | | | |
| FSM: Oracle Financials | | | | | | | | | | | | |
| Converge Court Order Payments | | | | | | | | | | | | |
| Contracting | | | | | | | | | | | | |
| Mutual Funds Window Operations Part 1 | | | | | | | | | | | | |
| Converge Non-Systematic Withdrawals / Check Reissues | | | | | | | | | | | | |
| Converge Loans | | | | | | | | | | | | |
| Prior Year findings (^) | | | | | | | | | | | | |
| FISMA | | | | | | | | | | | | |

As of January 10 2024

- In Process (2)
- Planned (12)

Additional information associated to above audits as annotated:

(*) - Improper Payments and Special Project: Program Office File Review Audit began December 2023

(^)- Prior year findings would be addressed throughout the year as time permits. Will assign timeframes with the various findings.

CY2025 Internal Audit Plan Tentative

| Audit | January | February | March | April | May | June | July | August | September | October | November | December |
|---------------------------------------|---------|----------|-------|-------|-----|------|------|--------|-----------|---------|----------|----------|
| 3rd Party Risk Management | | | | | | | | | | | | |
| Mutual Funds Window Operations Part 2 | | | | | | | | | | | | |
| Budgeting | | | | | | | | | | | | |
| Supply Chain Risk Management | | | | | | | | | | | | |
| Integrated Risk Management Tool | | | | | | | | | | | | |
| Required Annual Training | | | | | | | | | | | | |
| Human Capital Management | | | | | | | | | | | | |
| Converge Surveillance | | | | | | | | | | | | |
| Business Continuity | | | | | | | | | | | | |
| Strategic Plan Monitoring | | | | | | | | | | | | |
| FISMA 2025 | | | | | | | | | | | | |

As of January 1 2024



Planned (11)

Approval of 2024/2025 Internal Audit Plans

Questions?

Appendix

Appendix A: Tentative Scope of 2024 Audits

| Year | Audit | Tentative Scope | Map to Strategic Goals |
|-----------|---|---|--|
| 2023/2024 | Special Project: Program Office File Review (OED/ORM) | Review the OED/ORM file plan for proper alignment with document storage locations. | Goal C: Function as a higher performing agency Objective C4: Ensure that technology available to staff helps them be more effective and efficient Goal D: Transition successfully to a managed services operating model |
| 2023/2024 | Improper Payments | Test for payment accuracy and compliance with the Improper Payment Act; examine related policies and risk assessments. | Goal C: Function as a higher performing agency Objective C1: Strengthen financial stewardship and operational accountability |
| 2024 | Records Management | Evaluate annual inventories, training, and the implementation of the file plan for records management. | Goal C: Function as a higher performing agency Objective C4: Ensure that technology available to staff helps them be more effective and efficient Goal D: Transition successfully to a managed services operating model |
| 2024 | Special Project: Review of Internal Control Process | Assess the internal control policies, procedures, and processes. | Goal C: Function as a higher performing agency Objective C1: Strengthen financial stewardship and operational accountability |
| 2024 | AuditNow Implementation Review | Review the transition from AuditNow to ServiceNow, ensuring findings are reconciled and integrated into the new system. | Goal C: Function as a high-performing Agency Objective C4: Ensure that technology available to staff helps them be more effective and efficient & Objective C2: Proactively manage organizational risks and leverage opportunities |
| 2024 | Compliance with EO 14035 | Monitor and track compliance with EXECUTIVE ORDER 14035, evaluate against the plan. | Goal C: Function as a higher performing agency Objective C5: Enhance staff work/life balance and boost employee satisfaction Objective C3: Reinforce FRTIB's core values Goal A: Improve participant retirement outcomes |
| 2024 | FSM: Oracle Financials | Ensure Oracle Financials' processes, procedures, and controls are effective and efficient. | Goal C: Function as a higher performing agency Objective C1: Strengthen financial stewardship and operational accountability Objective C4: Ensure that technology available to staff helps them be more effective and efficient |

Appendix A: Tentative Scope of 2024 Audits Continued

| Year | Audit | Tentative Scope | Map to Strategic Goals |
|------|---|---|---|
| 2024 | Converge Court Order Payments | Examine the process for court order payments, areas not previously audited. | Goal B: Provide top-tier defined contributions services to participants Objective B1: Enhance awareness of how TSP services compare against those offered by other defined contribution plans, providers, and financial institutions Objective B2: Understand and respond to participant service needs and expectations |
| 2024 | Contracting | Follow up on prior findings, review contract documentation, and compliance with FAR and CPARs. | Goal C: Function as a high-performing Agency Objective C2: Proactively manage organizational risks and leverage opportunities Objective C4: Ensure that technology available to staff helps them be more effective and efficient |
| 2024 | Mutual Funds Window Operations Part 1 | Oversight operations, participant investment, fee application, and documentation distribution for mutual funds. | Goal B: Provide top-tier defined contributions services to participants Objective B1: Enhance awareness of how TSP services compare against those offered by other defined contribution plans, providers, and financial institutions Objective B2: Understand and respond to participant service needs and expectations |
| 2024 | Converge Non Systematic Withdrawals or Check Reissues | Evaluate the process and controls related to non-systematic withdrawals and check reissues. | Goal B: Provide top-tier defined contributions services to participants Objective B1: Enhance awareness of how TSP services compare against those offered by other defined contribution plans, providers, and financial institutions Objective B2: Understand and respond to participant service needs and expectations |
| 2024 | Converge Loans | Audit the accuracy of non-payroll loan payment processes, re-amortizations, and repayments. | Goal B: Provide top-tier defined contributions services to participants Objective B1: Enhance awareness of how TSP services compare against those offered by other defined contribution plans, providers, and financial institutions Objective B2: Understand and respond to participant service needs and expectations |
| 2024 | Prior Year Audit Findings | Review previous findings on capital assets, contracting, treasury reconciliation, and compliance. | Goal C: Function as a high-performing Agency Objective C2: Proactively manage organizational risks and leverage opportunities |
| 2024 | FISMA 2024 | Conduct the audit in line with NIST standards and CIGCE metrics. | Goal C: Function as a high-performing Agency Objective C7: Reinforce the Agency's cybersecurity posture |

Appendix B: Tentative Scope of 2025 Audits

| Year | Audit | Tentative Scope | Map to Strategic Goals |
|------|---------------------------------------|--|---|
| 2025 | 3rd Party Risk Management | Assess the implementation of 3rd party risk management, vendor monitoring by AMD and OPR, review financial monitoring processes, and evaluate risk mitigation controls. | Goal C: Function as a high-performing Agency Objective C2: Proactively manage organizational risks and leverage opportunities |
| 2025 | Mutual Funds Window Operations Part 2 | Monitor AFS, Alite, and BNY Mellon's management of mutual funds operations for 4200 participants and \$250M in assets, focusing on fee application and documentation distribution, to be done partly in 2024 and 2025. | Goal B: Provide top-tier defined contributions services to participants Objective B1: Enhance awareness of how TSP services compare against those offered by other defined contribution plans, providers, and financial institutions Objective B2: Understand and respond to participant service needs and expectations |
| 2025 | Budgeting | Reassess budgeting, examine areas such as contingency and reprogramming requests, and review the Status of Funds reports. | Goal C: Function as a higher performing agency Objective C1: Strengthen financial stewardship and operational accountability Objective C4: Ensure that technology available to staff helps them be more effective and efficient |
| 2025 | Supply Chain Risk Management | Understand how FRTIB's vendor supply chain risk management impacts risk thresholds and identify critical business partners. | Goal C: Function as a high-performing Agency Objective C2: Proactively manage organizational risks and leverage opportunities Goal A: Improve participant retirement outcomes |
| 2025 | Integrated Risk Management Tool | Review and test the effectiveness of controls within the implementation plan, focusing on reputational risk, cybersecurity, and contract compliance. | Goal C: Function as a high-performing Agency Objective C2: Proactively manage organizational risks and leverage opportunities Objective C4: Ensure that technology available to staff helps them be more effective and efficient |
| 2025 | Required Annual Training | Ensure compliance with mandatory annual training in ethics and privacy. | Goal C: Function as a high-performing Agency Objective C2: Proactively manage organizational risks and leverage opportunities Objective C3: Reinforce FRTIB's core values Objective C4: Ensure that technology available to staff helps them be more effective and efficient Objective C7: Reinforce the Agency's cybersecurity posture |

Appendix B: Tentative Scope of 2025 Audits Continued

| Year | Audit | Tentative Scope | Map to Strategic Goals |
|------|----------------------------------|---|---|
| 2025 | Human Capital Management | Assess the implementation of workforce planning, training, and development strategies. Analyze the effectiveness of recruitment and retention incentives. Also, review past reorganization within the Converge Lines of Business to ensure alignment with succession planning and knowledge transfer goals. | Goal B: Provide top-tier defined contributions services to participants Goal C: Function as a high-performing Agency Objective C2: Proactively manage organizational risks and leverage opportunities Objective C3: Reinforce FRTIB's core values Objective C5: Enhance staff work/life balance and boost employee satisfaction Objective C7: Reinforce the Agency's cybersecurity posture |
| 2025 | Converge Surveillance | Evaluate the effectiveness of surveillance tools implemented by OPE. | Goal C: Function as a higher performing agency Objective C1: Strengthen financial stewardship and operational accountability |
| 2025 | Business Continuity | Confirm that business continuity procedures and policies are up-to-date and meet current requirements. | Goal C: Function as a high-performing Agency Objective C2: Proactively manage organizational risks and leverage opportunities |
| 2025 | Strategic Plan Monitoring | Review the monitoring of strategic goals against established metrics and data sources. | Goal C: Function as a high-performing Agency Objective C2: Proactively manage organizational risks and leverage opportunities |
| 2025 | FISMA 2025 | Conduct the audit according to NIST standards, with the scope defined by CIGCE metrics. | Goal C: Function as a high-performing Agency Objective C7: Reinforce the Agency's cybersecurity posture |