



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

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MEMORANDUM FOR THE EXECUTIVE DIRECTOR

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CONTROLLER

SUBJECT: Overview of the TSP/FRTIB External Audit Process

This Memorandum provides an overview of the audits conducted each year on the TSP and the FRTIB by external auditors. We are subject to three types of external audits: the financial audit of the Thrift Savings Fund; performance audits of various programs and critical processes; and, ad hoc audits requested by Congressional members or committees.

**1. Financial Audits**

Section 8439 of the Federal Employees' Retirement Act of 1986 ("FERSA") states "The Executive Director shall annually engage, on behalf of all individuals for whom an account is maintained, an independent qualified public accountant, who shall conduct an examination of all accounts and other books and records maintained ....The examination shall be conducted in accordance with generally accepted auditing standards, books, and records as the public accountant considers necessary....The public accountant shall transmit to the Board a report on his examination, including his determination under this paragraph."

Clifton Larson Allen LLP ("CLA"), previously Clifton Gunderson, currently performs the annual audits of the Thrift Savings Fund's December 31 Financial Statements under a three year contract with two option years. This contract is currently in the first of two option years. The results of the financial audit are presented to the Board at the April Board meeting. CLA also conducts a mid-year review (June 30 financial statements) and the results of that review are usually presented to the Board at the October meeting. The auditor's opinion has been "unqualified" for every year of the TSP.

## **2. DOL Performance Audits**

The U.S. Department of Labor (“DOL”) has the statutory obligation under FERSA to “establish a program to carry out audits to determine the level of compliance with the requirements of this section relating to fiduciary responsibilities and prohibited activities of [TSP] fiduciaries” [5 USC 8477(g)(1)]. DOL has contracted with KPMG LLP (“KPMG”) to conduct the performance audits to address the audit objectives established by the DOL.

The DOL meets with the Board annually, generally at the February meeting, to present the DOL schedule and scope of upcoming audits and to review the prior year’s audit results. The DOL audit process is set forth below. Similar processes are followed for each type of external audit.

### **A. Entrance Conference for the Fiscal Year**

Each year, Agency staff meets with the Department of Labor, Employee Benefits Security Administration (“EBSA”) FERSA Compliance staff and its auditors (currently KPMG) for an overall audit entrance conference to discuss the specific audits that DOL intends to perform during that fiscal year. The Agency and DOL/KPMG create a preliminary schedule for the start of field work for each of the respective audits.

### **B. Entrance Conference for Specific Audit**

Prior to the start of the auditors’ field work, the Agency, DOL, and auditors conduct an entrance conference for that audit. During this meeting, we discuss audit objectives, scope, and logistics. In addition, the auditors provide their requests for information and meetings on a “Prepared by Client” (“PBC”) list. This list is used to track all auditor requests and the Agency’s responses. The start date for the field work is agreed upon at this time.

### **C. Field Work**

The duration of this period will vary by the subject of the audit and whether the audit is a full scope audit, a limited review audit, or a special project. Various Agency and contractor staff will be interviewed and are responsible for responding to PBC items. PBC items include policies, procedures, flowcharts, data sets, interviews with subject matter experts, and “walkthrus” of requested procedures and processes.

## **D. Reports**

There are four stages to the DOL audit report process:

- i. Section III, "Findings and Recommendations"
- ii. Informal Report ("white" copy)
- iii. Formal Report ("light-blue" copy)
- iv. Final Report (Formal Report including Agency responses to Recommendations)

### **i. Exit Conference/draft Section III, Findings and Recommendations**

Upon completion of the auditor's field work, the auditors provide a draft Section III of the report. Section III provides the draft statements of status of open related recommendations and the basis for any new recommendations. The exit conference provides an opportunity to correct any misunderstandings and/or provide additional data/information that may resolve a potential finding or change the significance of that finding.

### **ii. Informal Report Stage**

After the exit conference discussion, DOL issues a draft report (also known as the "Informal Report" or the "white cover report"). By agreement, the Board has 30 calendar days to respond. The Agency staff's informal responses provide draft responses to each of the findings and recommendations. The response states whether or not we concur with the finding and our intended corrective action.

We also provide general comments to correct or clarify text. The Agency staff response is issued by CFO to the Senior Auditor, FERSA Compliance, EBSA, DOL.

### **iii. Formal Report Stage**

DOL then provides the formal report (also known as the "light blue report"). The Agency has 30 calendar days to respond with our formal responses to the recommendations. The Agency response is issued by the Executive Director to the Chief Accountant, Office of the Chief Accountant, EBSA, DOL.

### **iv. Final Report**

DOL then provides the printed final report with the Executive Director's responses to the open and new audit recommendations included as an Appendix to the report. This audit report is then presented to the Board to be discussed at the next scheduled Board meeting.

### **3. Ad hoc Audits**

The Government Accountability Office ("GAO") is an independent legislative branch agency whose services are requested by congressional committees, subcommittees or individual members of Congress. There are no regularly scheduled GAO audits or reviews of the TSP as they occur on an ad hoc basis. The GAO issues a formal notification letter when an audit is initiated. We will meet with the GAO staff to determine the scope and intent of the audit. GAO's requests for information will be submitted in writing and are responded to as appropriate. GAO submits a "final draft" of their report and provides the Agency with the opportunity to respond to the content of the report and any findings. The Agency's response is issued by the Executive Director to the GAO and is included as an Appendix to the GAO report. The Executive Director presents the final GAO report with recommendations to the Board at the next scheduled Board meeting.