



Employee Benefits Security Administration

Performance Audit of Certain Thrift Savings Plan Operations at the Defense Finance and Accounting Service

September 19, 2019

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EXECUTIVE SUMMARY

Director of the Defense Finance and Accounting Service

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Chief Accountant

U.S. Department of Labor, Employee Benefits Security Administration

Washington, D.C.

As part of the U.S. Department of Labor Employee Benefits Security Administration (EBSA) Fiduciary Oversight Program, we conducted a performance audit of certain Thrift Savings Plan (TSP) account maintenance, loans, and withdrawal operations at the Defense Finance and Accounting Service (DFAS). DFAS operates as both an employing federal agency and as a payroll service provider for federal agencies and uniformed services. This performance audit covered the TSP operations of DFAS related to its role as a payroll service provider for active duty uniformed services personnel from the U.S. Army, U.S. Navy, and U.S. Air Force (the in-scope services). We performed our fieldwork from February 4 through July 19, 2019, primarily at [REDACTED]. Our scope period for testing was January 1, 2018 through December 31, 2018.

We conducted this performance audit in accordance with the performance audit standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the American Institute of Certified Public Accountants' *Standards for Consulting Services*. *Government Auditing Standards* require that we plan and perform the audit to obtain sufficient appropriate audit evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Criteria used for this engagement are defined in the EBSA's *Thrift Savings Plan Fiduciary Oversight Program*, which includes United States Code (USC) Title 5, Chapter 84, and Code of Federal Regulations (CFR) Title 5, Chapter VI.

The objectives of our audit over the DFAS TSP payroll operations related to active duty uniformed services personnel from the in-scope services were to:

- Determine whether DFAS implemented certain procedures to (1) calculate and process active duty uniformed service member contributions and loan payments accurately and timely in

accordance with the member's elections; (2) prevent active duty member contributions for a period of six months after the member obtains a financial hardship in-service withdrawal; (3) transmit active duty service member separation data to the TSP timely and accurately; (4) properly characterize active duty uniformed service member TSP contributions as tax-deferred, tax-exempt, or Roth; (5) process adjustments owed by the uniformed services, for active duty members, to the TSP; and (6) reconcile contributions for active duty members reported to the TSP to U.S. Department of the Treasury (Treasury) clearing accounts.

- Test compliance of DFAS' TSP operations with United States Code (USC) Chapter 5, Sections 8432(a)(2), 8432(c)(1)(C), 8432(c)(2)(B), 8432(d), 8432(e), 8432(f), 8440e(b)(2)(B), 8440e(d)(2), 8440e(e)(2), and 8440e(e)(3) (hereinafter referred to as FERSA), and Code of Federal Regulations (CFR) Title 5, Parts 1600.12(d), 1600.12(e), 1600.14, 1600.19(a), 1600.19(b)(1), 1600.19(c)(2)(i), 1600.19(c)(2)(ii), 1600.20, 1600.21(b), 1600.22, 1600.23, 1600.34(b), 1600.34(c), 1601.13(a)(4)(i)-(iii), 1605.16, 1620.3, 1650.21(a), 1650.33(b), 1655.14(a), 1655.14(c), and 1655.14(d) (hereinafter referred to as Agency Regulations).
- Determine the status of the prior EBSA TSP open recommendations reported in *Performance Audit of Certain Thrift Savings Plan Operations at the Defense Finance and Accounting Service*, as of May 22, 2013.

We present one new finding and recommendation related to TSP operations at DFAS, which addresses fundamental controls. Fundamental control 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 recommendations address procedures or processes that are less significant than fundamental controls. DFAS should review and consider these recommendations for timely implementation. Section III.C presents the details that support the current year finding and recommendation.

¹ *Government Auditing Standards* section 6.04 defines significance in the context of a performance audit.

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, 2018 through December 31, 2018, DFAS implemented certain procedures to (1) calculate and process active duty uniformed service member contributions and loan payments accurately and timely in accordance with the member's elections; (2) prevent active duty member contributions for a period of six months after the member obtains a financial hardship in-service withdrawal; (3) transmit active duty service member separation data to the TSP timely and accurately; (4) properly characterize active duty uniformed service member TSP contributions as tax-deferred, tax-exempt, or Roth; (5) process adjustments owed by the uniformed services, for active duty members, to the TSP; and (6) reconcile contributions for active duty members reported to the TSP to Treasury clearing accounts. As a result of our compliance testing, we did not identify any instances of noncompliance with FERSA or Agency Regulations, except for one instance of noncompliance with 5 USC 8432(c)(1)(C) and 5 CFR 1600.19(c)(2)(i) related to the untimely submission of Agency Automatic Contributions, and we identified a related internal control weakness as indicated above.

We also reviewed the five prior EBSA recommendations related to TSP operations at DFAS to determine their current status. Section III.B documents the status of these prior recommendations. In summary, three recommendations have been implemented and closed, one recommendation has been partially implemented and closed, and one recommendation has not been implemented and remains open.

DFAS did not formally respond to the recommendations in this report. In addition, DFAS did not sign the management representation letter we requested; we considered the impact of the lack of management representation letter on this report and determined that it did not change the conclusions described herein.

This performance audit did not constitute an audit of the TSP's or DFAS' financial statements in accordance with *Government Auditing Standards*. KPMG was not engaged to, and did not render an opinion on DFAS' 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 and Defense Finance and Accounting Service management. The report is not intended to be, and should not be, used by anyone other than those specified parties.

KPMG LLP

September 19, 2019

I. BACKGROUND OF THE TSP AND DFAS' OPERATIONS AS UNIFORMED SERVICES' PAYROLL SERVICE PROVIDER

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 provides a Federal (and, in certain cases, state) income tax deferral on employee contributions and related earnings. The TSP is available to Federal and Postal employees, members of the uniformed services, and members of Congress and certain Congressional employees. The TSP began accepting contributions on April 1, 1987, and as of December 31, 2018, had approximately \$535 billion in assets and over 5.5 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 Board's Staff (the Agency) is responsible for administering TSP operations.

B. Overview of DFAS as Uniformed Services' Payroll Service Provider³

DFAS is an agency within the U.S. Department of Defense (DoD) charged with providing finance and accounting support to the DoD and its components around the world. DFAS' mission is to "lead our customers in finance and accounting by ensuring the delivery of efficient, exceptional quality pay and financial information." [REDACTED]

1. Organization of DFAS' Military Payroll Function

DFAS's military payroll [REDACTED] function is responsible for processing payroll and benefits contributions, including TSP contributions, for uniformed services personnel. [REDACTED] operations are organized into dedicated teams that serve U.S. Army active duty members, U.S. Army

² Source: Minutes of the January 28, 2019, Federal Retirement Thrift Investment Board meeting, posted on www.frtib.gov.

³ Sources: www.DFAS.mil and [REDACTED]

reserve members, U.S. Air Force active duty members, U.S. Air Force reserve members, U.S. Navy active duty members, U.S. Navy reserve members, and the U.S. Marine Corps (both active and reserves). [REDACTED] operations are supported by other DFAS functions, such as [REDACTED]

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

2. [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]

C. TSP Accounts Maintenance Activities at DFAS⁴

1. TSP Elections

Uniformed service members may elect to make traditional, tax deferred, or Roth TSP contributions. Uniformed service members elect a percentage of basic pay, up to 100 percent, to contribute to traditional TSP accounts. The members may also elect to contribute up to 100 percent of special, bonus, and incentive pay, as long as the members also contribute at least 1 percent of basic pay. Uniformed service members elect a dollar amount or percentage of their pay to contribute to Roth accounts. The service members may change their contribution elections at any time.

A participant's total traditional TSP and Roth contributions cannot exceed the Internal Revenue Code (IRC) 402(g) annual elective deferral limit, which was \$18,500 in 2018. However, catch-up contributions are payroll deductions that participants who are age 50 or older may be eligible to make in addition to regular participant contributions. These contributions are voluntary and can be either traditional or Roth. To be eligible to make catch-up contributions, the participant must already be contributing an amount that will reach the IRC elective deferral limit by the end

⁴ Sources: www.DFAS.mil, www.tsp.gov, Form TSP-U-1, *TSP Bulletins*, and [REDACTED]
[REDACTED]

of the year. Catch-up contributions are subject to a catch-up contribution limit, separate from the IRC's elective deferral limit, which was \$6,000 for 2018.

Effective January 1, 2018, the uniformed services implemented the Blended Retirement System (BRS). This retirement system gives service members the option to receive TSP contributions and other benefits from their employing service for a 20% reduction in their military retirement annuity. Anyone who joins the uniformed services on January 1, 2018 or later will be automatically enrolled in BRS. In addition, members who have fewer than 12 years of service on December 31, 2017, may opt into BRS; if they do not, they remain in the legacy retirement system. Those with more than 12 years of service are not eligible for BRS.

For BRS opt-in participants, the 1% government automatic contribution begins the pay period after the BRS election. For automatically enrolled members, the 1% government automatic contribution begins after completing 60 days of service. Matching contributions of up to 4% of basic pay begin the pay period after BRS election for opt-in members and after completing two years of service for automatically enrolled members. Automatic and matching contributions stop once the service member reaches 26 years of service.

2. TSP Elections Processing and Submission to the TSP System

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

- [REDACTED]
[REDACTED] This application allows users to view, enter, or modify certain personnel and payroll-related information, such as name, address, and benefits information, including TSP elections. [REDACTED]
[REDACTED]
- U.S. Army service members stationed in the United States can complete a Form TSP-U-1, *Election Form*, and [REDACTED]
[REDACTED] Based on the completed form, [REDACTED] enter the TSP elections into the [REDACTED]
[REDACTED]

- For the active components of the U.S. Navy and U.S. Air Force and U.S. Army overseas locations, service members submit their Forms TSP-U-1 [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

TSP elections, along with certain other service member information, interface from the pay systems into the TSP recordkeeping system (TSP system). This information establishes the TSP's employee data record (EDR). The EDR contains non-financial personnel information relevant to the TSP for purposes of managing the participant's TSP account, such as TSP elections, service member name, and mailing address. The EDR is maintained within the TSP system. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

3. TSP Contributions Processing

The main drivers of a service member's TSP contributions are the service member's TSP contribution elections, as discussed above, and pay. Basic pay is a function of the service member's pay grade and years of service. Other types of pay are received as the service member qualifies for them. [REDACTED]

[REDACTED] DFAS publishes military pay tables on its website.

DFAS [REDACTED] operations personnel within each component submit TSP contributions and other TSP adjustments to the TSP system via a daily transfer of funds journal voucher through the Form TSP-U-2, *Certification of Transfer of Funds Journal Voucher*, on TSP.gov. Each component processes its own voucher any time a TSP contribution or adjustment must be made, which approximates a daily frequency.

[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] The Agency manages the TSP.gov application, the TSP system, and the TSP system access rights.

4. TSP Reject Reports

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

DFAS [REDACTED] operations personnel at each component review the daily TSP 1701 reports and research all rejects that require attention. Those that require attention must be corrected and submitted on another voucher. If the correction is valid, the TSP system will accept the data. If the correction is invalid, it will be rejected again and reported on that night's TSP 1701.

5. Breakage and Negative Adjustments

Uniformed service members may be entitled to breakage when they miss a payment because of a DFAS, service, or TSP error and a correction is not made within 30 days. Breakage is a contribution made to the member's TSP account to make the account "whole," considering the missed contribution amount plus or minus any gain or loss that occurred in the market. Participants may identify missed contributions and file a breakage claim with their payroll office [REDACTED] DFAS payroll operations personnel in [REDACTED] review claims and approve or deny claims. Approved claims are communicated to the Agency. The TSP may also identify breakage based on contributions missed for 30 or more days. In this situation, breakage is automatically calculated by the TSP system.

The TSP system calculates breakage and reports the amount of breakage claimed from DFAS via the monthly TSP 5014, *Breakage by Agency*, report. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

The TSP may also identify and process negative adjustments to a service member's TSP account. Negative adjustments occur when members over-contribute to their TSP accounts because of payroll errors, such as receipt of a duplicate bonus, untimely update of hazard pay, or untimely separation processing. The TSP system calculates and reports negative adjustments to DFAS via the monthly TSP 30514, *Summary Report of Negative Adjustments Processed*, report. [REDACTED]

[REDACTED]

6. [REDACTED]

[REDACTED]

D. TSP Loan Overview and Loan Payment Processing at DFAS⁵

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

- Participant has at least \$1,000 of personal contributions and associated earnings in the account;

⁵ Sources: www.tsp.gov, *Loans Brochure* (January 2018), and [REDACTED]

- Participant is currently a member of the uniformed services (separated or retired members and beneficiary participants are not eligible);
- Member is in pay status because payments are subsequently deducted from the member's pay to repay the loan;
- Member has not repaid a TSP loan of the same type in full within the past 60 days; and
- Member has not had a taxable distribution on a loan within the past 12 months, unless the taxable distribution resulted from the member's separation from Federal service.

Minimum and maximum loan amounts exist. If approved, loans are disbursed from the participant's TSP account, and the TSP system interfaces with DFAS' pay systems to initiate loan payments. DFAS processes loan payments as allotments from a service member's pay until the interface between the TSP and DFAS pay systems triggers a loan payment stop to indicate that the loan has been repaid in full.

E. TSP Separations and Withdrawals Processing at DFAS⁶

Separations processing occurs similarly to the TSP elections process described in Section I.C.2 of this report. Separations from the uniformed services may be initiated at [REDACTED] [REDACTED] the TSP system updates the EDR as it receives updated employment status information via the interface with the pay systems. [REDACTED]

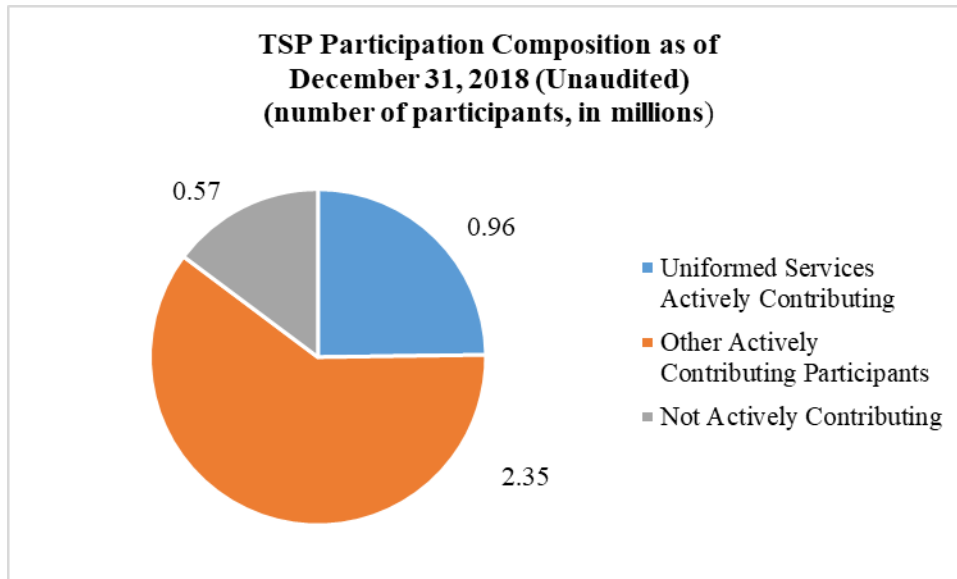
[REDACTED]

[REDACTED]

F. TSP Uniformed Services Statistics

Actively contributing uniformed services members comprise approximately 25 percent of the 3.89 million total TSP participants employed as of December 31, 2018⁷, as illustrated in Exhibit I-1.

Exhibit I-1

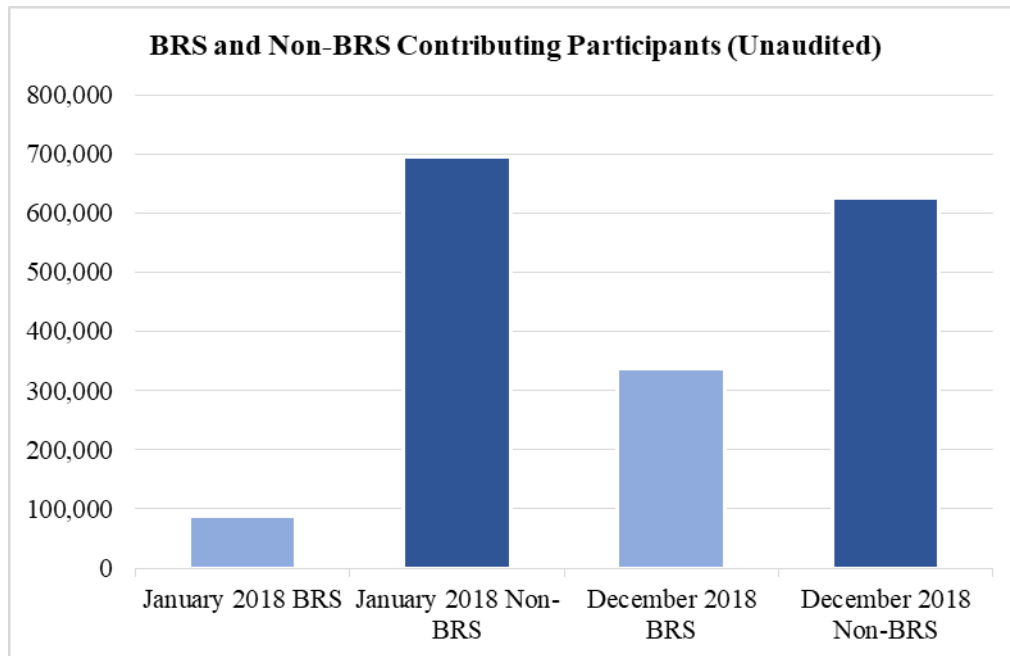


Other active participants shown in the chart above consist of FERS participants receiving agency automatic contributions only and FERS and Civil Service Retirement System (CSRS) participants making their own contributions. The number of uniformed service members actively contributing to the TSP, as a percentage of all TSP participants, has remained consistent since January 1, 2018 (i.e., the beginning of our audit scope period). Uniformed services members have historically contributed to the TSP at a lower rate than FERS and CSRS participants. Of contributing participants, approximately 29% are uniformed service members and 71% are FERS or CSRS participants.

⁷ Source: Minutes of the January 22, 2019, Federal Retirement Thrift Investment Board meeting, posted on www.frtib.gov.

After the first month of BRS implementation (i.e., January 2018), BRS participants and non-BRS represented approximately 11% and 89%, respectively, of uniformed service members contributing⁸. As shown in Exhibit I-2, approximately 35% of uniformed service participants were BRS and 65% were non-BRS as of December 31, 2018.

Exhibit I-2



⁸ Source: Minutes of the February 26, 2019, Federal Retirement Thrift Investment Board meeting, posted on www.frtib.gov.

II. OBJECTIVES, SCOPE, AND METHODOLOGY

A. Objectives

The U.S. Department of Labor (DOL) Employee Benefits Security Administration (EBSA) engaged KPMG LLP (KPMG) to conduct a performance audit of certain Thrift Savings Plan (TSP) operations at the Defense Finance and Accounting Service (DFAS). DFAS operates as both an employing federal agency and as a payroll service provider for federal agencies and uniformed services. This performance audit covered the TSP operations of DFAS related to its role as a payroll service provider for active duty uniformed service members of the U.S. Army, U.S. Air Force, and U.S. Navy.

The objectives of our performance audit were to:

- Determine whether DFAS implemented certain procedures to (1) calculate and process active duty uniformed service member contributions and loan payments accurately and timely in accordance with the member's elections; (2) prevent active duty member contributions for a period of six months after the member obtains a financial hardship in-service withdrawal; (3) transmit active duty service member separation data to the TSP timely and accurately; (4) properly characterize active duty uniformed service member TSP contributions as tax-deferred, tax-exempt, or Roth; (5) process adjustments owed by the uniformed services, for active duty members, to the TSP; and (6) reconcile contributions for active duty members reported to the TSP to U.S. Department of the Treasury clearing accounts.
- Test compliance of DFAS' TSP operations with United States Code (USC) Chapter 5, Sections 8432(a)(2), 8432(c)(1)(C), 8432(c)(2)(B), 8432(d), 8432(e), 8432(f), 8440e(b)(2)(B), 8440e(d)(2), 8440e(e)(2), and 8440e(e)(3), and Code of Federal Regulations (CFR) Title 5, Parts 1600.12(d), 1600.12(e), 1600.14, 1600.19(a), 1600.19(b)(1), 1600.19(c)(2)(i), 1600.19(c)(2)(ii), 1600.20, 1600.21(b), 1600.22, 1600.23, 1600.34(b), 1600.34(c), 1601.13(a)(4)(i)-(iii), 1605.16, 1620.3, 1650.21(a), 1650.33(b), 1655.14(a), 1655.14(c), and 1655.14(d).
- Determine the status of the prior EBSA TSP open recommendations reported in *Performance Audit of Certain Thrift Savings Plan Operations at the Defense Finance and Accounting Service*, as of May 22, 2013.

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, 2018 through December 31, 2018. We performed the audit in four phases: (1) planning, (2) arranging for the engagement with DFAS, (3) testing and interviewing, and (4) report writing.

The planning phase was designed to assist team members to develop a collective understanding of the activities and controls associated with the applications, processes, and personnel involved with DFAS military pay [REDACTED] operations. Arranging the engagement included contacting the Federal Retirement Thrift Investment Board's Staff (Agency) and DFAS, and agreeing on the timing of detailed testing procedures.

During the testing and interviewing phase, we conducted interviews, collected and inspected auditee-provided documentation and evidence, participated in process walk-throughs, and designed and performed tests of controls and compliance. We conducted these test procedures [REDACTED] but also on site at the Agency's headquarters in Washington, D.C. In Appendix A, we identify the key documentation provided by DFAS and Agency personnel that we reviewed during our performance audit.

Our performance audit procedures included testing [REDACTED] samples of TSP transactions, which we used to determine if DFAS processed TSP contributions, loan payments, and withdrawals in a manner that complied with FERSA and Agency regulations. [REDACTED]

[REDACTED]

[REDACTED]
[REDACTED]

[REDACTED]
<ul style="list-style-type: none">• [REDACTED]• [REDACTED]■ [REDACTED]• [REDACTED]

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

Additionally, our performance audit procedures included testing [REDACTED] samples of the following information obtained from DFAS:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

[REDACTED]

Criteria used for this engagement are defined in EBSA's *Thrift Savings Plan Fiduciary Oversight Program*, which includes 5 USC Chapter 84 and 5 CFR Chapter VI.

The report writing phase entailed drafting a preliminary report, conducting an exit conference, providing a formal draft report to DFAS for comment, and preparing and issuing the final report.

III. FINDINGS AND RECOMMENDATIONS

A. Introduction

We performed procedures related to certain Thrift Savings Plan (TSP) account maintenance, loans, and withdrawal operations at the Defense Finance and Accounting Service (DFAS) while conducting a performance audit [REDACTED]

[REDACTED] DFAS operates as both an employing federal agency and as a payroll service provider for federal agencies and uniformed services. This performance audit covered the TSP operations of DFAS related to its role as a payroll service provider for active duty uniformed services personnel from the U.S. Army, U.S. Navy, and U.S. Air Force. Our scope period for testing was January 1, 2018 through December 31, 2018. 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 A), 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, 2018 through December 31, 2018, DFAS implemented certain procedures to (1) calculate and process active duty uniformed service member contributions and loan payments accurately and timely in accordance with the member's elections; (2) prevent active duty member contributions for a period of six months after the member obtains a financial hardship in-service withdrawal; (3) transmit active duty service member separation data to the TSP timely and accurately; (4) properly characterize active duty uniformed service member TSP contributions as tax-deferred, tax-exempt, or Roth; (5) process adjustments owed by the uniformed services, for active duty members, to the TSP; and (6) reconcile contributions for active duty members reported to the TSP to U.S. Department of the Treasury (Treasury) clearing accounts. As a result of our compliance testing, we did not identify any instances of noncompliance with United States Code (USC) Chapter 5, Sections 8432(a)(2), 8432(c)(2)(B), 8432(d), 8432(e), 8432(f), 8440e(b)(2)(B), 8440e(d)(2), 8440e(e)(2), or 8440e(e)(3) or Code of Federal Regulations (CFR) Title 5, Parts 1600.12(d), 1600.12(e), 1600.14, 1600.19(a), 1600.19(b)(1), 1600.19(c)(2)(ii), 1600.20, 1600.21(b), 1600.22, 1600.23, 1600.34(b), 1600.34(c), 1601.13(a)(4)(i)-(iii), 1605.16, 1620.3, 1650.21(a), 1650.33(b), 1655.14(a), 1655.14(c), or 1655.14(d). However, we did identify one instance of noncompliance with 5 USC 8432(c)(1)(C) and 5 CFR 1600.19(c)(2)(i) related to the untimely submission of Agency Automatic Contributions and a related internal control weakness as described in finding 2019-01 below.

We present one new finding and recommendation, presented in Section III.C, related to TSP operations at DFAS, which addresses fundamental controls. Fundamental control 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 recommendations address procedures or processes that are less significant than fundamental controls. All recommendations are intended to strengthen TSP operations at DFAS. DFAS should review and consider these recommendations for timely implementation.

DFAS did not formally respond to the recommendations in this report. In addition, DFAS did not sign the management representation letter we requested; we considered the impact of the lack of management representation letter on this report and determined that it did not change the conclusions described herein.

We also reviewed five prior EBSA recommendations related to the TSP operations at DFAS to determine their current status. Section III.B documents the status of these prior recommendations. In summary, three recommendations have been implemented and closed, one recommendation has been partially implemented and closed, and one recommendation has not been implemented and remains open.

Section III.C presents the new finding and recommendation from this performance audit. Section III.D summarizes each open recommendation.

B. Findings and Recommendations from Prior Reports

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

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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2013 TSP Operations at DFAS Recommendation No. 3:

Title: Untimely DFAS Correction of Certain TSP Rejects

Original Recommendation: DFAS should strengthen and formalize its TSP reject review and correction procedures to ensure that [Redacted] technicians address all reject codes that require DFAS action within a defined time period after the reject occurs.

Reason for Recommendation: During the 2012 audit, we noted that DFAS did not consistently correct errors rejected by the TSP system in a timely manner. [Redacted]

Status: **Implemented.**
DFAS implemented revised reject review and correction Standard Operating Procedures (SOP) prior to or during calendar year 2018 for the Active Components of the U.S. Army, U.S. Navy, and U.S. Air Force (i.e., our in-scope services). We tested this control during our 2019 audit and noted no exceptions.

Disposition: **Recommendation Closed.**

2013 TSP Operations at DFAS Recommendation No. 4:

Title: DFAS TSP Transaction Errors

Original Recommendation: DFAS should reinforce its review policies for TSP transactions [REDACTED]
[REDACTED]
[REDACTED]

Reason for Recommendation: [REDACTED] did not consistently process TSP-related transactions accurately or timely. During the 2012 audit, we identified two instances of inaccurate and untimely transaction processing at the [REDACTED]. One instance related to a sample [REDACTED] catch-up contributions, and one instance related to a sample [REDACTED] TSP separations.

Status: **Partially Implemented.**
We did not obtain evidence of specific training implemented relevant to TSP transaction processing [REDACTED]. However, upon review of DFAS SOP guidance dated January 11, 2019 for the [REDACTED] [REDACTED] we noted that it addressed certain review and other requirements and defined responsible parties for such requirements related to payroll transaction processing, which covers TSP transactions. In addition, we tested various TSP transactions throughout our 2019 audit, including those related to catch-up contributions and separations, and did not identify any errors related to data entry or transaction processing [REDACTED]
[REDACTED]

Disposition: **Recommendation Closed.**

C. 2019 Finding and Recommendation

While conducting our performance audit over TSP operations at DFAS, we identified one new finding and developed a related recommendation. EBSA requests appropriate and timely action for this recommendation.

FUNDAMENTAL CONTROL FINDING AND RECOMMENDATION

2019-01: Untimely Start of Agency Automatic Contributions

During the scope period, DFAS did not have sufficient controls in place to pay automatic 1% TSP contributions timely. For a sample of ■ Blended Retirement System (BRS) active duty participants in the U.S. Army, U.S. Navy, and U.S. Air Force during calendar year 2018, we noted that one Army participant automatically enrolled in BRS did not receive the service’s automatic 1% TSP contribution timely (i.e., upon reaching 60 days of service). We noted that DFAS subsequently identified and corrected the system error, and the missed contributions were paid during 2018.

DFAS indicated that a ■■■■■ error caused one or more months of agency automatic 1% contributions not to be submitted to multiple TSP accounts.

5 USC 8432(c)(1)(C) states, “...the employing agency shall contribute to the Thrift Savings Fund for the benefit of such employee or Member the amount equal to 1 percent of the total basic pay...”

5 CFR 1600.19(c)(2)(i) states:

A uniformed service member who first entered service on or after January 1, 2018 is entitled to:

- (A) Agency Automatic (1%) Contributions beginning in the first full pay period following the date that is 60 days after the uniformed service member's PEBD [pay entry base date]....

The Government Accountability Office's *Standards for Internal Control in the Federal Government* (September 2014) states:

16.04 Management monitors the internal control system through ongoing monitoring and separate evaluations. Ongoing monitoring is built into the entity's operations, performed continually, and responsive to change. Separate evaluations are used periodically and may provide feedback on the effectiveness of ongoing monitoring.

16.05 Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations, and other routine actions. Ongoing monitoring may include automated tools, which can increase objectivity and efficiency by electronically compiling evaluations of controls and transactions.

- 1. DFAS should develop, document, and implement a monitoring control over the timely submission of agency automatic 1% contributions for uniformed service members covered by BRS.**

Weaknesses in controls over TSP agency automatic contributions increase the risk of untimely and missed TSP contributions for uniformed services personnel.

D. Summary of Open Recommendations

2006 RECOMMENDATION

RECOMMENDATION TO ADDRESS FUNDAMENTAL CONTROLS

[REDACTED]

2019 RECOMMENDATION

RECOMMENDATION TO ADDRESS FUNDAMENTAL CONTROLS

Untimely Start of Agency Automatic Contributions

1. DFAS should develop, document, and implement a monitoring control over the timely submission of agency automatic 1% contributions for uniformed service members covered by BRS.

KEY DOCUMENTATION AND REPORTS REVIEWED, CONTINUED

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