



Title: 5, United States Code

Chapter: 84, Federal Employees' Retirement System, Subchapter III, Thrift Savings Plan

Bulletin: 93-5, Summary of Audit Recommendations Provided to Agencies to Fulfill Their Thrift Savings Plan Responsibilities

Date: February 11, 1993

To: TSP Payroll Office Representatives
TSP Personnel Office Representatives
TSP Automated Data Processing Representatives

The Federal Employees' Retirement System Act of 1986 requires the U.S. Department of Labor (DOL) to establish a program to carry out audits of fiduciary compliance in connection with the Thrift Savings Plan (TSP). Consequently, DOL has established an ongoing program of audits to evaluate both Federal Retirement Thrift Investment Board (Board) and employing agency TSP operations. To date, these audits have been performed by certified public accounting firms under contract with DOL.

I. Audits of Agency Activities

As of the end of fiscal year 1992, 32 agency audits have been performed. These include audits of both major Departmental activities and smaller field activities. The audits generally evaluate agency personnel and payroll office TSP operations to determine that:

- A. all employees eligible to participate in the TSP are identified and that their Agency Automatic (1%) Contributions are started on time, they are notified that they are eligible to contribute, and their Election Forms (TSP-1) are properly processed;
- B. agencies provide correct personal information about participants to the TSP recordkeeper, the National Finance Center (NFC), on Employee Data Records (01-Records);
- C. TSP contributions are being correctly computed and reported to NFC;
- D. TSP loan payments are being correctly reported to NFC;
- E. errors are corrected according to applicable laws and regulations and Lost Earnings Records (51-Records) are submitted to NFC, as appropriate;
- F. eligible employees and separating participants receive appropriate TSP information and TSP materials; and

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G. information about separating participants is timely and accurately submitted to NFC.

Overall, the auditors have found that the TSP operations of the Federal agencies reviewed are in compliance with applicable laws and regulations, that the agencies are conscious of their responsibility to process TSP data correctly, and that the agencies are knowledgeable about TSP procedures. The auditors also expressed their appreciation for the excellent cooperation they received from agency TSP representatives.

II. Summary of Major Audit Recommendations

Despite the generally favorable conclusions reached by the auditors, each of the audits contained recommendations for improvements in agency activities. To assist agency TSP representatives, this bulletin discusses several areas in which the audit reports frequently recommended improvements. The Board supports these recommendations and encourages agency representatives to incorporate them into their agencies' TSP program.

A. Educating the employee population about the TSP and its benefits

The auditors have found that not all agencies consistently educate their employees about the TSP.

Agencies are responsible for informing their employees about the benefits of participating in the TSP and about participation opportunities, i.e., TSP open seasons. In addition, agencies are responsible for distributing TSP materials to their employees and answering questions regarding these materials. Finally, agencies are responsible for counseling employees who separate or retire about their TSP withdrawal options and providing these employees with the withdrawal materials.

The TSP bulletin on open seasons (currently TSP Bulletin 92-26) contains two sample announcements that agencies may use to (1) inform all their employees about the TSP open season and (2) inform newly eligible FERS employees about participation opportunities. Agencies can use other techniques to educate their employees, including discussions during orientation, briefings, flyers, bulletin board announcements, TSP Fairs, etc. The TSP Video and other TSP publications can also be incorporated into many agency activities which explain the TSP to employees.

TSP Bulletin 89-28, Revised Booklet, "Withdrawing Your TSP Account Balance," dated August 1989, contains information about counseling separating and retiring employees. TSP Bulletin 93-3, Revised Addendum to the August 1989 Withdrawal Booklet, contains additional information about withdrawal options.

B. Determining TSP Service Computation Dates (TSP-SCD)

The auditors report that TSP-SCDs are not always properly computed or reported to NFC. They have found that, in some cases, agencies are using an employee's accession date with the current agency as the TSP-SCD.

The TSP-SCD is used when a FERS participant separates from Federal service to determine if the participant is vested in the TSP and, therefore, entitled to the Agency Automatic (1%) Contributions (and associated earnings) in his or her TSP account.¹ An incorrect TSP-SCD may cause these contributions to be erroneously removed from a participant's account, or it may mean that the funds are not properly removed from the account. Hence, it is imperative that this date be correctly computed to include all Federal civilian service.

Agency personnel offices must determine the TSP-SCD for all FERS participants and transmit these dates to agency payroll offices. Agency payroll offices then submit the TSP-SCD to NFC on an Employee Data Record. To change an erroneous TSP-SCD, agency personnel offices must transmit the correct date to agency payroll offices. Agency payroll offices then submit this correct date on a subsequent Employee Data Record.

Agency personnel offices should be particularly careful when computing the TSP-SCD for participants who are transferring from other agencies or who have had prior Federal civilian service. In general, agency personnel offices should remember that the TSP-SCD includes all Federal civilian service, but does not include military service. If the agency's automated personnel system uses the participant's accession date as a default TSP-SCD, personnel offices must ensure that the TSP-SCD for those participants who have prior Federal civilian service is corrected and that these dates are received by payroll offices for transmission to NFC.

For detailed information about determining the TSP-SCD, personnel representatives should refer to TSP Bulletin 87-21, Questions and Answers on Vesting and TSP-SCD.

C. Processing Form TSP-1, Election Form

The auditors report that many agencies do not have internal controls in place to ensure proper data entry of Forms TSP-1.

¹FERS refers to the Federal Employees' Retirement System, the Foreign Service Pension System, and other equivalent Government retirement plans.

After an employee's TSP election has been entered into the agency payroll system, the agency must reconcile the data in the system with the data on the employee's Form TSP-1. Ideally, to prevent (or reduce) administrative errors and agency liability for payment of lost earnings as a result of such errors, this reconciliation should occur before deductions are taken from the employee's basic pay or before contributions to the employee's account are reported to NFC.

For more information about processing Form TSP-1, agency representatives should refer to TSP Bulletin 90-38, Removal of Statutory Thrift Savings Plan Investment Restrictions and Processing Election Form (TSP-1).

D. Ensuring continuous TSP participation of employees who transfer from one Federal agency to another

The auditors report that, in some cases, employees transferring between agencies (or between organizational units) are not being properly identified as TSP participants and that their contributions to the TSP are delayed as a result of the transfer.

When an employee covered by FERS or CSRS in one Federal agency transfers to another Federal agency and remains covered by FERS or CSRS, the employee's TSP participation must continue without interruption.² (If the employee is serving a TSP waiting period before becoming eligible to participate, the waiting period must continue without interruption.) Consequently, the gaining agency payroll office may have to take any or all of the following actions immediately, as appropriate: (1) submit an Employee Data Record to NFC; (2) deduct TSP contributions from the employee's basic pay; (3) determine agency TSP contributions that must be made to the employee's account; and (4) report the correct investment of all contributions to the employee's account.

It is imperative that the gaining agency personnel office obtain TSP information from the losing agency personnel office and transmit this information to the gaining payroll office. The Board has developed Form TSP-19, Transfer of Information Between Agencies, for agencies to use to obtain the necessary TSP information. Agencies may also use Standard Form 75, Request for Preliminary Employment Data, to obtain such information.

For detailed information about Form TSP-19, agency representatives should refer to TSP Bulletin 91-15, Transfer of Information Between Agencies. For more information about continuous TSP participation, agency representatives should refer to TSP

²CSRS refers to the Civil Service Retirement System, including CSRS Offset, the Foreign Service Retirement and Disability System, and other equivalent retirement plans.

Bulletins 89-2, Participation in the Thrift Savings Plan, and 91-6, Amendment to Interim Regulations on Vesting.

E. Processing adjustments to TSP contributions

The auditors have made a number of observations regarding the correction of TSP accounts. However, they are concerned primarily that errors are identified and corrected in a timely fashion.

Agencies are responsible for submitting correct contributions to NFC. Agency payroll offices must determine the amount of money to be deposited in participants' accounts each pay period and report these deposits by submitting payment records to NFC. Consequently, agencies are also responsible for correcting contribution errors. If the payroll office incorrectly determines and reports a participant's TSP contribution, the payroll office must correct the error. If the agency owes contributions to a participant's account, the payroll office should deposit the funds by submitting a payment record (or records, as appropriate). If the agency reports excess contributions, the payroll office should remove these by submitting a Negative Adjustment Record (21-Record) or records, as appropriate.

Of particular concern are excess contributions which resulted from an erroneous retirement coverage determination. When an agency personnel office retroactively corrects an employee's FERS coverage to CSRS, the agency payroll office should submit Negative Adjustment Records to remove the agency contributions erroneously made to the employee's TSP account and to remove any employee contributions in excess of the CSRS limit of 5 percent of the basic pay earned each pay period.

Because retirement coverage errors may go undetected for quite some time, the value of the contributions that must be taken from accounts may be large. (Similarly, when an agency retroactively corrects an employee's retirement coverage to FERS from CSRS, significant makeup contributions may be required.)³

Erroneous agency contributions that have been in a participant's account for more than 1 year cannot be returned to the agency; they are removed from the participant's account and used to offset TSP administrative expenses. Therefore, the audit reports

³ Agency personnel representatives should be aware of the serious ramifications of retirement coverage errors. Many agencies are reviewing Official Personnel Folders to ensure that their employees have been placed in the correct retirement system. If personnel representatives have any questions about determining or correcting an employee's retirement coverage, they should immediately contact their agency or Departmental Retirement Counselor for assistance.

recommend that agencies generate payroll system edits to ensure timely processing of negative adjustments.

For more information about processing negative adjustments, agency representatives should refer to TSP Bulletin 90-23, Reporting Contributions and Negative Adjustments to the Thrift Savings Plan Recordkeeper. For more information about correcting TSP errors, agency representatives should refer to TSP Bulletin 87-64, Final Thrift Savings Plan Error Correction Regulations (or 5 CFR 1605).

F. Processing employee claims for lost earnings

As a result of Public Law 101-335, enacted July 17, 1990, employing agencies are required to pay earnings lost by participants due to certain administrative errors made by the employing agencies. The Board's implementing regulations at 5 CFR 1606 (issued January 7, 1991) require agencies to establish procedures for its employees to file claims for lost earnings. DOL has found that many of the agencies that were audited have not yet implemented the lost earnings regulations.

Because of the significance of the TSP as a Federal retirement benefit, agencies must be able to properly correct participant accounts and ensure that lost earnings are requested using the Lost Earnings Record (51-Record). Further, the 51-Record is the mechanism through which agencies correct fund allocation errors. Agencies must be able to process claims for lost earnings from their participants.

For more information about lost earnings, agency representatives should refer to the following TSP Bulletins: 90-39, 90-40, 90-41, 90-42, 91-3, and 91-34.

G. Loan repayment processing

The auditors observed that in some cases, loan repayments were not started promptly. Consequently, they recommended that agencies establish procedures to ensure that loan repayments are started promptly.

Agencies should ensure that all loan repayments are begun immediately upon receipt of the Form TSP-22, Thrift Savings Plan Loan Payment Allotment. Loan repayments for participants who transfer between agencies and who have outstanding TSP loans are especially vulnerable to error.

The auditors recommend that agencies establish a control log of Forms TSP-22. Although the Board does not require such a log, it is essential that each agency develop an internal system to ensure that all Forms TSP-22 are timely processed. Loan deductions should cease only upon notification from the TSP that deductions are no longer required. If agencies have questions regarding loan repayments, they should contact the TSP Operations Branch at **504-255-5110** for assistance.

For additional information regarding the processing of loan repayments, see TSP Bulletin 88-14, Introduction of Form TSP-22, Thrift Savings Plan Loan Payment Allotment Form, and Bulletin 91-22, Revision of Forms TSP-22 and TSP-22-R.

H. Establishing/strengthening system of internal controls for preventing or reducing effect of TSP errors

To prevent TSP errors, the auditors recommend that agencies establish a system of internal controls to provide a second level of review of TSP operations. For example, if departments conduct periodic personnel management evaluations, an evaluation of the TSP operations of their individual personnel offices may be part of this evaluation. Other agencies may have their Offices of Inspector General perform such evaluations. The agency payroll system should include edits that would prevent transmission of erroneous TSP personal and contribution data. In addition, data rejected by the TSP System (i.e., records on the reject/delete and other TSP transaction error reports) should be corrected immediately to reduce the effect of a TSP error.

I. Processing Form TSP-18, Validation of Retirement Information

The auditors report that agencies are not always submitting properly completed Forms TSP-18 on time and that agencies are not always keeping copies of the forms in their personnel offices for future reference. The auditors recommend that agencies ensure that Forms TSP-18 are submitted for all separating participants with TSP accounts and that a periodic review be made to ensure that these forms have been completed.

Agency personnel offices must submit Form TSP-18 to NFC for every employee with a TSP account within 30 days after the participant's separation from Federal service. This form is used to determine the participant's withdrawal options and when certain withdrawals may begin. Hence, TSP accounts cannot be disbursed before this form is received. It is imperative that agency personnel offices complete this form correctly and submit it on time. Also, agencies should keep the "Personnel Office" copy of Form TSP-18 in the personnel office for reference and not file it in the Official Personnel Folder.

For detailed information about completing and submitting this form, personnel representatives should refer to TSP Bulletin 90-33, Validation of Retirement Information, Form TSP-18. Agencies should also ensure that there is a mechanism to track the issuance of Forms TSP-18 so that they can assure that the forms have been completed for all separating participants with TSP accounts.

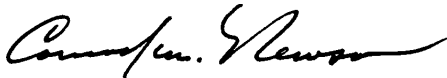
J. **Establishing on-going training programs for agency personnel and payroll staff involved in TSP operations**

Because of the complexity of agency TSP responsibilities and the staff turnover in agency personnel and payroll offices, the auditors recommend that agencies establish training programs for staff involved in any aspect of TSP operations.

The Board conducts TSP training at its offices in Washington, D.C., on a monthly basis and at NFC's offices in New Orleans, LA, every other month. In addition, Board staff may be available to conduct TSP training on-site if the agency pays the trainer's transportation and per diem costs. For more information about the availability of training, agencies should contact the Board at **202-942-1450**.

Agencies can also establish their own in-house training sessions designed to improve the knowledge and skills of those employees implementing the TSP.

At a minimum, all agency staff who are involved in the implementation of the TSP should have access to the TSP Bulletins and various TSP publications issued by the Federal Retirement Thrift Investment Board.



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