



Pension Benefit Guaranty Corporation

Office of Inspector General

Audit Report

Fiscal Year 1999

Financial Statement Audit-

Management Letter

August 21, 2000

**Audit of PBGC's Fiscal Year 1999 Financial Statements
Management Letter
2000-8/23138-3**

TABLE OF CONTENTS

Abbreviations	ii
Executive Summary	iii
Introduction	1
Audit Objectives	1
Scope and Methodology	2
Audit Results	2
Findings and Recommendations	3
Current Year Findings and Recommendations	5
Status of Prior Year Findings and Recommendations	9
AGENCY COMMENTS	TAB A

**Audit of PBGC's Fiscal Year 1999 Financial Statements
Management Letter
2000-8/23138-3**

ABBREVIATIONS

AICPA	American Institute of Certified Public Accountants
ERISA	Employee Retirement Income Security Act of 1974
FAM	Financial Audit Manual
FARS	Financial Accounting and Reporting System
FBA	Field Benefit Administrator
FMFIA	Federal Managers' Financial Integrity Act of 1982
FOD	Financial Operations Department
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	General Accounting Office
IOD	Insurance Operations Department
IPS	Image Processing System
IPVFB	Integrated Present Value of Future Benefits
IRMD	Information Resources Management Department
LAN	Local Area Network
MWG	Multiemployer Working Group
OED	Office of the Executive Director
OIG	Office of Inspector General
PAS	Premium Accounting System
PLUS	Pension and Lump Sum System
PBGC	Pension Benefit Guaranty Corporation
PCR	Premium Compliance Reviews
PRISM	Participant Records Information Systems Management
PVFB	Present Value of Future Benefits
SDLC	Systems Development Life Cycle
SSB	State Street Bank and Trust Company

**Fiscal Year 1999 Financial Statement Audit
Management Letter
2000-8/23138-3**

EXECUTIVE SUMMARY

The Office of Inspector General (OIG) of the Pension Benefit Guaranty Corporation (PBGC or the Corporation) engaged PricewaterhouseCoopers LLP (PricewaterhouseCoopers) to conduct an audit of the financial statements of the Single-Employer and Multiemployer Program Funds administered by PBGC, as of and for the years ended September 30, 1999 and 1998. As presented in OIG Audit Report 2000-7/23138-2, PricewaterhouseCoopers issued an unqualified opinion on the statements of financial condition and the related statements of operations and changes in net position and statements of cash flows.

We have also examined management's assertion that PBGC's controls in effect as of September 30, 1999, provided reasonable assurance that assets were safeguarded from material loss and transactions were executed in accordance with management's authority and with significant provisions of selected laws and regulations, and furthermore, PBGC controls provided reasonable assurance that transactions were properly recorded, processed, and summarized to permit the preparation of the financial statements in accordance with generally accepted accounting principles and to maintain accountability for assets among funds. We found management's assertion to be fairly stated, in all material respects. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants (AICPA). None of the reportable conditions was believed by us to be material weaknesses as defined by AICPA. The reportable conditions we noted were: PBGC needs to integrate its financial management systems and improve its systems development life cycle methodology; PBGC needs to finalize and test its plan for maintaining continuity of operations; PBGC needs to implement and improve controls surrounding the Participant Records Information Systems Management application; and the need for PBGC to further strengthen controls to protect its information.

Our report on PBGC's compliance with laws and regulations stated that the results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*, or the methodology set forth by the U.S. General Accounting Office's (GAO) *Financial Audit Manual* (FAM).

This management report discusses findings and recommendations for improvements in the Corporation's internal control that were identified during our audit of the fiscal year 1999 financial statements. It contains four (4) findings, which resulted in six (6) recommendations that, although not considered material weaknesses or reportable conditions, we believe warrant the attention of PBGC management.

**Fiscal Year 1999 Financial Statement Audit
Management Letter
2000-8/23138-3**

The current year findings are reported under two categories: compliance with PBGC's policies and procedures needs strengthening, and lack of formal policies and procedures. Finally, in the section entitled "Prior-Year Findings and Recommendations," we have summarized the status of prior year audit recommendations included in OIG Audit Report Numbers 99-7/23132-2 and 99-8/23132-3, as of September 30, 1999. Recommendations that were deemed "completed" in prior years have not been carried forward.

Summary of Current Year Findings	
Finding	Page Number
1. DUEC and Other Accounts Receivable reconciliations were not performed properly.	5
2. Procurement records were not reconciled to FARS and were not adequately supported.	6
3. Amounts identified as due to PBGC were not posted to the Premium Accounting System (PAS).	7
4. PBGC needs policies and procedures related to the Multiemployer Working Group Chairman's methodology of identifying the plans to review from the multiemployer universe.	8

MANAGEMENT RESPONSE AND OIG EVALUATION

A draft Report was provided to the agency for comment. In addition, we met with PBGC officials to discuss the Report's findings. We have reviewed PBGC's comments to this Report. PBGC's response, which can be found at TAB A, generally agreed with the Report's findings.

**Fiscal Year 1999 Financial Statement Audit
Management Letter
2000-8/23138-3**

Introduction

As a government corporation created by Title IV of the Employee Retirement Income Security Act of 1974 (ERISA), the Pension Benefit Guaranty Corporation (PBGC or the Corporation) protects the pensions of more than 43 million Americans in approximately 40,000 private defined benefit pension plans, including about 1,800 multiemployer plans. PBGC's mission is to operate as a service-oriented, professionally managed agency that protects participants' benefits and supports a healthy retirement plan system by: (1) encouraging the continuation and maintenance of private pension plans; (2) providing timely payments of benefits in the case of terminated pension plans; and (3) making the maximum use of resources and maintaining premiums and operating costs at the lowest levels consistent with statutory responsibilities. PBGC finances its operations through premiums collected from covered plans, assets assumed from terminated plans, collection of employer liability payments due under ERISA, as amended, and investment income. In addition, PBGC may borrow up to \$100 million from the United States Department of the Treasury to finance its operations. To date, this borrowing authority has not been exercised.

Audit Objectives

The objectives of our audit were to determine whether:

The financial statements present fairly, in all material respects, the financial position of the Single-Employer and Multiemployer Program Funds administered by PBGC as of September 30, 1999, and September 30, 1998, and the results of their operations and cash flows for the years then ended, in conformity with generally accepted accounting principles (GAAP).

Management's assertion that PBGC's controls in effect as of September 30, 1999, provided reasonable assurance that assets were safeguarded from material loss and transactions were executed in accordance with management's authority and with significant provisions of selected laws and regulations, and furthermore, that PBGC controls provide reasonable assurance that transactions were properly recorded, processed, and summarized to permit the preparation of the financial statements in accordance with generally accepted accounting principles and to maintain accountability for assets among funds is fairly stated, in all material respects, based upon criteria contained in the Federal Managers' Financial Integrity Act of 1982 (FMFIA). This assertion is included in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of PBGC's Fiscal Year (FY) 1999 Annual Report to the Congress.

PBGC is in compliance with significant provisions of applicable laws and regulations.

Scope and Methodology

The Office of Inspector General (OIG) of PBGC engaged PricewaterhouseCoopers to conduct an audit of the financial statements of the Single-Employer and Multiemployer Program Funds administered by PBGC as of and for the years ended September 30, 1999, and September 30, 1998.

Our audit was performed in accordance with standards established by the American Institute of Certified Public Accountants (AICPA), *Government Auditing Standards*, and pursuant to the methodology set forth by the United States General Accounting Office's (GAO) *Financial Audit Manual* (FAM). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

We performed tests of the accounting records and such other auditing procedures, as we considered necessary in the circumstances. This involved performing tests at PBGC, State Street Bank (SSB), two investment manager sites, two Premium Compliance Review sites, and two Field Benefit Administrator (FBA) sites. We did not perform tests related to standard terminations or other areas since such events did not have a direct and material effect on the financial statements.

Audit Results

As a result of our FY 1999 audit, we issued the following reports:

- (a) an unqualified opinion on PBGC's statements of financial condition, and the related statements of operations and changes in net position and statements of cash flows, as of and for the years ended September 30, 1999, and September 30, 1998 (OIG report number 2000-7/23138-2);
- (b) a report on PBGC's compliance with laws and regulations that noted no instances of non-compliance with the provisions tested (OIG report number 2000-7/23138-2); and
- (c) a report on internal control that identified four reportable conditions, three of which are recurring (OIG report number 2000-7/23138-2). These reportable conditions were not deemed to be material weaknesses as defined by standards established by AICPA.

Our FY 1999 report on internal control disclosed three recurring reportable conditions from FY 1998. The first reportable condition related to the lack of integration of the Corporation's financial management systems, including the need for an adequate Systems Development Life Cycle (SDLC) methodology and the need for adequate systems

development monitoring and oversight. This reportable condition was also reported in FYs 1997 and 1996. During FY 1999, PBGC made some progress in addressing the issue related to the lack of a formal SDLC. However, additional work is required to ensure that PBGC's financial management systems are integrated, the formal SDLC is fully implemented, and specific criteria allowing the Corporation to effectively monitor systems outsourcing are identified and followed.

The second reportable condition that was carried forward from FY 1998 related to the need to implement and test an adequate plan for maintaining continuity of operations. During FY 1999, PBGC made notable progress by improving its disaster recovery and business continuity plans. However, our FY 1999 audit still identified a number of deficiencies that would impair PBGC's ability to respond effectively to a disruption in business operations.

The last carry-forward reportable condition related to the need to implement and improve controls surrounding the Participant Records Information Systems Management (PRISM). While PBGC made substantial progress in FY 1999 by designing and implementing control procedures related to PRISM operations, our audit identified several areas where controls could be further strengthened.

During FY 1999, we identified a new reportable condition related to the need for PBGC to further strengthen controls to protect its information.

In addition to the reportable conditions specified above, we identified a number of internal control weaknesses that, although not considered material weaknesses or reportable conditions, we believe warrant the attention of management. This management report summarizes such findings and provides recommendations for improvement in the Corporation's internal control.

Findings and Recommendations

This report contains four (4) findings from our FY 1999 testing which resulted in six (6) recommendations that PBGC should implement to strengthen the Corporation's internal control. Additionally, in the section entitled "Prior-Year Findings and Recommendations," we have summarized the status, as of September 30, 1999, of prior-year audit recommendations included in OIG Audit Report Numbers 99-7/23132-2 and 99-8/23132-3. The remainder of this report is comprised of the following:

A table listing our current year recommendations (page 4).

A discussion of each current year finding and corresponding recommendation(s) (pages 5 - 8).

A table listing each of the outstanding prior year findings and their status as of September 30, 1999 (pages 9 - 13).

Summary of Current Year Recommendations	
Recommendation	
<i>1. Document and enforce policies and procedures regarding proper reconciliations between the DUEC and Employer Liability Aged Receivables Report and the general ledger, and between the Other Receivables Report and the general ledger. (FOD-278)</i>	6
<i>2. Assign responsibility to the General Accounting Branch to reconcile monthly the PD records and FARS records, and document supervisory review of the monthly reconciliations. (FOD-279)</i>	7
<i>3. Maintain documentation to adequately support each of the budgetary accounting transactions on PBGC's Obligation Balance Report by Cost Center. (FOD-280)</i>	7
<i>4. Record the amounts identified by the Premium Compliance Reviews as due to PBGC in conformity with GAAP and in a timely manner. (FOD-281)</i>	7
<i>5. Document policies and procedures related to the Multiemployer Working Group Chairman's methodology for selecting plans from the multiemployer universe that should undergo the screening ratio process. (IOD-189)</i>	8
<i>6. Document policies and procedures related to the rationale of screening ratio selection and the use of such ratios as a tool of identifying problematic plans. (IOD-190)</i>	8

Current Year Findings and Recommendations

1. COMPLIANCE WITH PBGC'S POLICIES AND PROCEDURES NEEDS STRENGTHENING

An entity develops and implements policies and procedures to help provide order, ensure consistency in processing among personnel, and provide guidance to new or reassigned personnel. Management also develops policies to help ensure compliance with applicable laws and regulations, to guide personnel in the implementation of internal controls, and to help prevent fraud, waste, or abuse from occurring and not being detected timely. If policies and procedures are not followed, inconsistent or ineffective processing of accounting transactions may occur, resulting in possible errors or irregularities. We identified the following instances where compliance with PBGC's policies and procedures needed further strengthening:

1.1 DUEC and Other Accounts Receivable reconciliations were not performed properly.

During our FY 1999 testing, we noted differences between account balances in certain financial reports and the general ledger, and that those differences were not properly reconciled. These discrepancies occurred between certain related balances reported in the general ledger as of September 30, 1999, and the (1) Due and Unpaid Employer Contributions (DUEC) and Employer Liability Aged Receivables Report (Aged Receivables Report) and (2) Other Receivables Report.

During our testing of the Aged Receivables Report, we noted discrepancies between the account balances in this Report and the corresponding accounts comprising the Sponsors of Terminated Plans balance that were not reconciled. The discrepancies resulted from PBGC's use of different criteria to calculate the Aged Receivables Report balances from that used to calculate the general ledger balances. Specifically:

- 1) The DUEC balance in the Aged Receivables Report was calculated using a different allowance percentage than the percentage used for the calculation of the general ledger balance.
- 2) The Employer Liability receivable balance in the Aged Receivables Report was calculated using the principal plus interest instead of the principal only as used in the general ledger.

During our testing of the Other Receivables Report, we noted that the balance in this Report did not agree with the balance of the Other Receivables account in the general ledger. This discrepancy resulted because the balance in the Other Receivables Report did not reflect information about two plans that had been properly included in the September 30, 1999 general ledger balance. This discrepancy was not reconciled.

In addition, policies and procedures for reconciliations between subsidiary reports and the general ledger were not properly documented by PBGC.

PBGC's policies and procedures require that reported balances have appropriate support and documentation. Improper or no reconciliation of the Aged Receivables Report and the Other Receivables Report balances with the general ledger could cause financial statement balances to be misstated. Finally, undocumented policies and procedures can lead to inconsistent and untimely application of necessary processes.

Recommendation

We recommend the following corrective action:

Document and enforce policies and procedures regarding proper reconciliations between the DUEC and Employer Liability Aged Receivables Report and the general ledger, and between the Other Receivables Report and the general ledger. (FOD- 278)

1.2 Procurement records were not reconciled to FARS and were not adequately supported.

During our FY 1999 testing, we noted that GAB was not performing the reconciliation between the Procurement Department's (PD) records of purchase orders and requisitions and FARS for all 12 months in FY 1999. GAB ceased to perform this reconciliation when the individual who had been performing the reconciliation was reassigned. GAB did not assign the reconciliation responsibilities to another individual. Currently, GAB policies and procedures require a reconciliation of the PD records with FARS on a monthly basis. Unless this reconciliation is performed, obligations may be created by the PD which are not properly posted to FARS. Also, if the reconciliation is not prepared properly, an obligation that was not entered to FARS might not be detected. Thus, there is a risk of misstatement of obligations.

Additionally, during our FY 1999 testing, we identified instances when GAB did not maintain adequate documentation to support each of the budgetary accounting transactions on PBGC's Obligation Balance Report by Cost Center. The report identifies limitation and non-limitation unliquidated balances at year-end. If proper supporting documentation is not maintained for the budgetary accounting transaction, errors in accounting records might not be detected or the validity of some transactions might not be independently verified. Consequently, there is a risk of misstatement of obligations, and expenditures could potentially exceed obligated amounts without being detected in a timely manner. This condition was identified in our prior year audits. Subsequently, PBGC developed policies and procedures requiring maintenance of supporting documentation for budgetary accounting transactions; however, these policies and procedures need to be fully implemented.

Recommendation

We recommend the following corrective actions:

Assign responsibility to the General Accounting Branch to reconcile monthly the PD records and FARS records, and document supervisory review of the monthly reconciliations. (FOD-279)

Maintain documentation to adequately support each of the budgetary accounting transactions on PBGC's Obligation Balance Report by Cost Center. (FOD-280)

1.3 Amounts identified as due to PBGC were not posted to the Premium Accounting System (PAS).

During fiscal year 1999, PBGC's Premium Audit and Investigation Branch (PAIB) was responsible for performance of Premium Compliance Reviews (PCRs), which may result in an accrual of premiums receivable, followed by settlements and collections. In prior years, we identified a lack of accounting procedures for recording the results of PCRs into PAS at the point the debt was determined. During fiscal year 1999, PBGC developed formal procedures for entering premiums receivables generated by the PCR findings. However, during our fiscal year 1999 audit, we encountered several instances in which amounts identified as due to PBGC during PCRs were not posted to PAS. If the receivable amounts are not posted to PAS, there is a risk that the collection of these amounts is not properly tracked, thus reducing the effectiveness of PCRs. Furthermore, misstatements in the PBGC's financial statements may also occur.

Recommendation

We recommend the following corrective action:

Record the amounts identified by the Premium Compliance Reviews as due to PBGC in conformity with GAAP and in a timely manner. (FOD-281)

2. LACK OF FORMAL POLICIES AND PROCEDURES

Financial statement reliability is dependent on maintaining adequate and effectively functioning internal controls. An internal control is a set of policies and procedures established and maintained by management designed to meet its internal control objectives. The objectives of internal control generally include, but are not limited to: (a) adherence to management's policies and procedures, (b) safeguarding of assets, and (c) accuracy and completeness of the accounting records. Adequate internal control can reduce the risk that financial statements contain material misstatements. During our FY 1999 testing, we

identified an instance in which PBGC needed to develop and implement formal policies and procedures.

2.1 *PBGC needs policies and procedures related to the Multiemployer Working Group Chairman's methodology of identifying the plans to review from the multiemployer universe.*

During our FY 1999 testing, we noted that the Multiemployer Working Group (MWG) did not have policies and procedures related to the MWG Chairman's methodology for identifying multiemployer plans, from the multiemployer universe, that require further review by the MWG. The Chairman's methodology constitutes the first two stages of the Multiemployer Evaluation process. The first stage is the universal review, in which the Chairman identifies plans that should undergo the screening ratio process. The second stage is the screening ratio process, in which the Chairman applies screening ratios to each plan identified in the first stage. Types of screening ratios applied to each plan may vary from year to year. Plans identified during the screening ratio process are then sent to the MWG for the third and final stage of the multiemployer classification process. In this stage, plans are classified according to their likelihood of termination as probable, reasonably possible or remote. Currently, the MWG procedures include adequate documentation on the third stage, the MWG's review process. However, there are no documented policies and procedures on the MWG Chairman's methodology for identifying plans that should undergo the screening ratio process or for the rationale of applying certain types of screening ratios and the use of such ratios as a tool of identifying problematic plans.

Without properly documented policies and procedures, there is a risk that the multiemployer classification process will not adequately identify all plans in the multiemployer universe that require further analysis by the MWG. This, in turn, could lead to misstatements of multiemployer liability on the financial statements and in the note disclosures. Furthermore, enhanced documentation is needed to ensure the continuity of the responsibilities of the MWG Chairman, should there be a change in personnel.

Recommendation

We recommend the following corrective actions:

Document policies and procedures related to the Multiemployer Working Group Chairman's methodology for selecting plans from the multiemployer universe that should undergo the screening ratio process. (IOD-189)

Document policies and procedures related to the rationale of screening ratio selection and the use of such ratios as a tool of identifying problematic plans. (IOD-190)

Status of Prior Year Findings and Recommendations

While we recognize that the Corporation has put forth considerable efforts to implement policies and procedures to mitigate or otherwise resolve the findings reported in our FY 1993 to FY 1996 and FY 1998 audit reports (OIG Audit Report Numbers 94-1/23069-2, 94-7/23079-2, 95-7/23083-2, 96-9/23093-3, 97-23/23110-3 and 99-8/23132-3), as of September 30, 1999, a number of findings and related recommendations had yet to be completed and implemented.

The following schedule identifies the status of the 34 recommendations that were outstanding as of September 30, 1998. Follow-up of prior year findings and recommendations was performed, in part, to determine the nature, timing, and extent of the current year's audit procedures. The status was determined through review of management's responses to the OIG's semi-annual report of audit recommendations, additional audit testing performed, and discussions held with the appropriate management personnel. The status of these prior-year findings is as of September 30, 1999, and may not necessarily represent the status as of the date of the issuance of this report. The "status" category of each prior-year finding corresponds to the categories as used by the OIG in the Semiannual Report of Follow-up of Audit Recommendations, defined as follows:

- Completed -- The OIG concurs with PBGC management that the recommendation had been implemented. Therefore, this recommendation will no longer be tracked by the OIG and reported in future Semiannual Reports on Follow-up Audit Recommendations.
- Initiated, Not Completed -- Steps have been taken by PBGC management to implement the recommendation. However, further actions are still needed by PBGC to implement the recommendation. Therefore, this status of the recommendation will continue to be tracked by the OIG.
- Not Initiated -- No steps have been taken by PBGC management to implement the recommendation. Therefore, this status of the recommendation will continue to be tracked by the OIG.

OIG Control Number	Status of Prior Year Findings and Recommendations As of September 30, 1999	Status as of September 30, 1999
Fiscal Year 1998		
FOD-274	Enhance financial reporting controls surrounding PAS to improve the system's ability to accurately track premiums receivable on a plan basis.	Initiated, Not Completed

OIG Control Number	Status of Prior Year Findings and Recommendations As of September 30, 1999	Status as of September 30, 1999
FOD-275	Analyze the existing year-end processes surrounding PAS and identify improvements that will reduce the necessity of manual adjustments, validity testing, and reclassifications at year-end.	Initiated, Not Completed
IOD-169	Enforce existing IOD policies and procedures requiring that participants' files contain complete information critical for the benefit payments and the PVFB liability calculation.	Initiated, Not Completed
Disagreed-1	Modify existing IOD procedures to require retention of source documentation generated as a result of the participant data audits and used to calculate benefit payments and value the PVFB liability.	Initiated, Not Completed
IOD-170	Develop, implement, and enforce consistent procedures for reinstating participants into pay status.	Initiated, Not Completed
IOD-171	Enforce policies and procedures related to the maintenance of plan file documentation at the FBAs and headquarters.	Initiated, Not Completed
FOD-276	Require all premium compliance reviews to be performed, documented, and approved in accordance with PBGC's Premium Compliance Review Procedures Manual.	Initiated, Not Completed
FOD-277	Develop and implement formal procedures for closing premium compliance reviews in progress prior to completion.	Initiated, Not Completed
FOD-227	Develop and implement accounting procedures for recording the results of PCR into PAS at the point the debt is determined.	Completed
IRMD-108	PBGC needs to enhance the change control process used in maintaining and supporting its application systems and include it as part of the overall System Development Life Cycle currently being developed.	Initiated, Not Completed
IRMD-109	PBGC needs to develop and formalize criteria for assessing business and information technology risks that can be used internally and for contractors performing independent reviews.	Not Initiated
IOD-172	Enforce policies and procedures that require participants' records in PRISM contain information that is adequately supported in IPS.	Initiated, Not Completed
IOD-173	Enforce existing policies and procedures related to the information that should be captured by FBAs in the participants' records in PRISM.	Initiated, Not Completed
IOD-174	Maintain an adequate audit trail of decisions affecting the integrity of participants' data.	Not Initiated

OIG Control Number	Status of Prior Year Findings and Recommendations As of September 30, 1999	Status as of September 30, 1999
IOD-175	Delete invalid duplicate participant records in PRISM and implement necessary controls to prevent the creation of duplicate records in future processing.	Initiated, Not Completed
IOD-176	Apply transactions to participants' records in PRISM properly and timely.	Initiated, Not Completed
IOD-177	Properly authorize special check payments in accordance with authorization thresholds established by PBGC.	Initiated, Not Completed
IOD-178	Develop and implement formal reconciliation procedures that require the reconciling items between PRISM and PLUS records be resolved timely and their resolution be sufficiently documented.	Initiated, Not Completed
IOD-179	Require formal managerial review and approval of reconciliations between PLUS and PRISM.	Initiated, Not Completed
IOD-180	Implement the Deathmatch controls.	Completed
IOD-181	Establish a formal reconciliation process for the plans assumed from the prior paying agents whereby reconciliations are reviewed and approved by an appropriate level of management.	Initiated, Not Completed
IRMD-110	PBGC should include in its development of formal systems development life cycle methodology policies and procedures that address adequate controls for the segregation of functions performed in the development and production environments.	Initiated, Not Completed
IRMD-111	PBGC should include in its development of a formal systems development life cycle methodology policies and procedures that implement and enforce adequate monitoring controls for significant activities performed by individuals and/or systems.	Initiated, Not Completed
IOD-182	PBGC should implement policies and procedures that would control the assignment of excessive responsibilities, including the development of adequate monitoring of activities performed by individuals and/or systems	Not Initiated

OIG Control Number	Status of Prior Year Findings and Recommendations As of September 30, 1999	Status as of September 30, 1999
Fiscal Year 1996		
FOD-217	Controls surrounding PAS require improvement.	Completed
FOD-259 IOD-141	PBGC did not always maintain a proper audit trail to support the component line items presented in the Corporation's financial statements or the underlying controls related to financial reporting.	Completed Initiated, Not Completed
FOD-263 FOD-264	PBGC personnel did not always comply with PBGC policies and procedures.	Initiated, Not Completed Completed
IOD-144	Develop procedures to implement PBGC's policy to conduct an expense assumption study on a predetermined schedule or when certain conditions (economic or political) exist to determine the reasonableness and validity of this assumption.	Initiated, Not Completed
OED-9	Develop and document a formal methodology for calculating the general unidentified single-employer probable contingency reserve based on an analysis of related industry trends and historical information.	Initiated, Non Completed
Fiscal Year 1995		
IOD-137	Reconciliations of the number of benefit checks processed by SSB and its contractor are not always performed or adequately supported.	Initiated, Not Completed
IRMD-75 IRMD-76	PBGC has not formally documented its policies and procedures related to computer program changes.	Initiated, Not Completed Initiated, Not Completed
IRMD-81	Access to the mainframe security system is not adequately limited.	Completed
IRMD-84	The Corporation's disaster recovery plan does not include local area networks.	Completed

OIG Control Number	Status of Prior Year Findings and Recommendations As of September 30, 1999	Status as of September 30, 1999
Fiscal Year 1994		
IOD-127 IOD-129	General controls surrounding the Integrated Present Value of Future Benefits (IPVFB) Local Area Network (LAN) are inadequate.	Completed Completed



Pension Benefit Guaranty Corporation

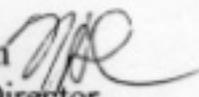
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Office of the Executive Director

Memorandum

AUG 18 2000

To: Wayne R. Poll
Inspector General

From: N. Anthony Calhoun 
Deputy Executive Director
and Chief Financial Officer

Subject: Comments on the Draft FY 1999 Financial Statements Audit
Management Letter Report 2000-8/23138-3

We appreciate the opportunity to comment on the subject draft report. With respect to the recommendation relating to Multiemployer Working Group procedures, we wish to emphasize that such procedures do exist within the procedures of the former Multiemployer Contingency Group (MCG). However, we agree that consolidating the MCG and MWG procedures would better facilitate consistent administration of the Multiemployer plan contingency process. This effort is currently underway. We also respect any revisions made to the draft report as a result of your discussions with staff to clarify issues raised during the exit conference. Also, thank you for the suggestions made during our post-exit conference meeting and as agreed, we will incorporate them.

Cc: David M. Strauss
Joseph Grant
Jan Harrison