



Pension Benefit Guaranty Corporation
Office of Inspector General
Audit Report

**Review of Sensitive Payments
Fiscal Year 2001**

June 20, 2002

2002-10/23163

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INTRODUCTION

Pension Benefit Guaranty Corporation's (PBGC) Senior Level officials are vested with the public trust and hold positions with decision-making authority. In those positions, the employees may face intense scrutiny of their actions. Sensitive payments encompass a wide range of executive functions including compensation, travel, official entertainment funds, unvouchered expenditures, consulting services, speaking honoraria and gifts, and perquisites. Sensitive payment issues are addressed in various laws, regulations, policies and procedures, and codes of ethics and conduct for government employees.

OBJECTIVES

We conducted an audit of Fiscal Year (FY) 2001 sensitive payments to certain PBGC Senior Level officials during the period October 1, 2000 through September 30, 2001. To accomplish this audit, the following objectives were completed:

1. Evaluate the effectiveness of the management control structure over the areas of sensitive payments that encompass the following items:
 - compensation,
 - travel,
 - official entertainment funds,
 - unvouchered expenditures,
 - contracting and consulting services,
 - speaking honoraria and gifts,
 - executive perquisites, and
 - code of ethics criteria.
2. Evaluate compliance with applicable laws, regulations, policies and procedures, and the codes of ethics and conduct.

SCOPE

Our scope was the universe of Senior Level officials at PBGC, including the Executive Director, Deputy and Assistant Executive Directors, and other Senior Level officials. Senior Level officials are defined as those who are in positions that have been classified above the GS-15 level (Directive PM 20-6, § 3.a.). Our testing covered the areas identified by the United States General Accounting Office (GAO) in its publication, *Guide for Evaluating and Testing Controls Over Sensitive Payments*. Our testing did not encompass the application controls in Travel Manager. For compliance criteria, we identified and reviewed the following federal laws, regulations and Corporate policy and procedures:

- 41 CFR Chapters 300-304, *Federal Travel Regulation System*
- 5 CFR Part 2635, *Standards of Ethical Conduct for Employees of the Executive Branch*
- Directive FM 05-6, *The PBGC Imprest Fund*
- Directive FM 15-1, *PBGC Systems for the Requisition of, Acquisition of and Payment for Goods and Services*
- Directive GA 05-5, *The PBGC Delegation of Authority System*
- Directive GA 10-5, *PBGC Travel Policies and Procedures*
- Directive GA 10-6, *PBGC Sponsored Meetings and Conferences*
- Directive IM 10-4, *Speaking Engagements and Public Meetings*
- Directive PM 20-6, *Senior Level Executive Program*

This audit was performed in conformance with government auditing standards and included such tests of compliance with applicable federal laws, regulations, and PBGC directives, as we deemed necessary. We discussed our conclusions with PBGC officials.

We judgmentally selected our sample of Senior Level officials based upon our review of the organizational staffing pattern and the vendor detail report for the fiscal period ending September 30, 2001.

BACKGROUND AND METHODOLOGY

In May 1993, the GAO issued a *Guide for Evaluating and Testing Controls Over Sensitive Payments* (Guide). The Guide describes procedures for review of the internal control structure over sensitive payments, conflicts of interest, associated ethics matters, and a determination as to whether those controls ensure compliance by senior government officials with major laws, established regulations, and policies and procedures. The guide suggests that this review be performed as part of the audit of the financial statements. Audit testing was specifically tailored to the sensitive pay issues identified by GAO's Guide.

Compensation

We requested FY 2001 payroll data for the selected Senior Level officials. We obtained the Earnings History Records from the payroll system and compared pay rates and other compensation to that established by Corporate Directive PM 20-6.

Travel

We obtained the travel vouchers for the selected Senior Level officials. We verified the completeness of the travel vouchers provided our office by tracing paid vouchers to the vendor detail report. We recalculated the voucher reimbursements to ensure compliance with the Federal Travel Regulations and PBGC Directive GA 10-5. We reviewed the vouchers to ensure proper approvals and appropriate supporting documentation was included in the voucher package.

Contracting and Consulting Services

We obtained the public financial disclosure forms (SF-278s) for the selected Senior Level officials. We reviewed the financial disclosure forms to determine if any potential conflicts of interest could arise from procurement activities with firms in which the Senior Level officials have a financial interest.

Official Entertainment Funds and Unvouchered Expenditures

These funds are established by law for specific purposes. Previous audits have found these type funds are not established for PBGC.

Speaking Honoraria and Gifts

We obtained the reports PBGC was required to file with the Office of Government Ethics for FY 2001 that detail reimbursement of travel from sources outside the Federal Government. We reviewed the information provided by these reports and traced all items to appropriate supporting travel documentation.

Executive Perquisites

We obtained the logs for official use of the government vehicle maintained by PBGC. We reviewed the logs to ensure that use of the vehicle was in accordance with Government regulations and PBGC policy.

Code of Ethics

We interviewed the Alternate Agency Ethics Official who explained PBGC's policies and procedures for informing its employees of their responsibilities regarding the code of ethics. We reviewed the SF-278s of the selected Senior Level employees for conflicts of interest.

During the course of our audit, nothing came to our attention that indicated that we should include other areas for audit testing or examination under the sensitive payment criteria.

CONCLUSION:

Based upon our audit work, we noted some errors such as overdue travel vouchers and limited justification for actual expense. We are not making recommendations at this time. However, we will continue to review travel vouchers for senior level officials and may expand our testing in future periods.



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Office of the Executive Director

June 18, 2002

TO: Deborah Stover-Springer
Acting Inspector General
Steven A. Kandarian

FROM: Steven A. Kandarian
Executive Director

SUBJECT: Response to Review of Sensitive Payments Audit Report
2002-10/23163

I appreciate the opportunity to comment on the subject draft report covering fiscal year 2001. While an exit conference is not necessary, given that the report contains no findings or recommendations, I do want to take this opportunity to thank the Office of Inspector General for this work. Audits of this nature constitute an important component of PBGC's overall commitment to maintain the public trust through Corporate responsibility and personal integrity.

Again, thank you for the opportunity to comment.

cc: John Seal
Joseph Grant
Hazel Broadnax
Marty Boehm
Joseph A. Zeilman