



Pension Benefit Guaranty Corporation

Office of Inspector General

1200 K Street, N.W., Washington, D.C. 20005-4026

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**FROM: Robert Emmons
Inspector General**

SUBJECT: Audit Policy

The Inspector General Act of 1978, as amended, 5 U.S.C. App. 3, (“the IG Act”), established the Office of Inspector General (OIG) to create independent and objective units to conduct and supervise audits and investigations relating to the programs and operations of government entities (5 U.S.C. App. § 2(a)). Among the duties and responsibilities assigned to the Inspector General in § 4 of the IG Act are specific audit authorities that require the Inspector General:

(a)(1) to provide policy direction for and to conduct, supervise, and coordinate audits and investigations relating to the programs and operations of such establishment [designated federal entity]¹;

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(b)(1)(B) establish guidelines for determining when it shall be appropriate to use non-Federal auditors; and

(b)(1)(C) take appropriate steps to assure that any work performed by non-Federal auditors complies with the standards established by the Comptroller General as described in paragraph (1).

In accordance with the statutory mandate, the OIG establishes the following audit policies:

1. General. Under the IG Act, the Office of Inspector General is responsible for conducting independent audits of PBGC’s programs and operations in accordance with standards established by the Comptroller General. The Assistant Inspector General for Audit is responsible for technical oversight of all audits. When supervising and coordinating audits, the OIG will look to the best interest of the government and avoid unnecessary duplication.

¹ PBGC was named as a “designated federal entity” and the Office of Inspector General established in the 1988 amendments to the IG Act. Section 8G(g) assigns all of the duties and responsibilities enumerated in section 4 to the Inspectors General of designated federal entities.

2. Use of non-Federal auditors. Recognizing that both the OIG and PBGC management contract with non-federal auditors, OIG will review the use of non-Federal auditors to prevent duplication, avoid conflicts of interest, and protect the interest of PBGC.
 - a) Management Review and Oversight. This policy recognizes that the IG Act is not intended to conflict with management's responsibility to review or oversee PBGC operations such as:
 - Understanding internal controls and verifying that they are operating effectively.
 - Performing regulatory audits or reviews to satisfy PBGC's oversight responsibilities under ERISA. Examples of this kind of work are the audits when trusteeing a plan or Premium Compliance Reviews performed by CCRD.
 - Management reviews of contracts to provide the contracting officer better information.
 - b) Audit Services. OIG will review proposed contracts for audit services provided by non-Federal auditors to determine if the work:
 - is regulatory oversight that does not duplicate the work of OIG;
 - includes appropriate contract provisions; or
 - causes a conflict of interest or impacts on the auditor's independence.
 - c) Non-audit Services. To assist the OIG in carrying out its responsibilities, management has agreed to inform the OIG of contracts for non-audit services provided by non-Federal auditors before award. OIG will promptly inform management of potential concerns, such as duplication or conflict of interest.
3. Compliance with Auditing Standards. To accomplish OIG's statutory requirement to oversee non-Federal auditors, contracts for regulatory oversight audits should contain provisions that:
 - the OIG is responsible for monitoring compliance with the Comptroller General's auditing standards; and
 - the non-Federal auditor will provide their most recent peer review to OIG on request.