



Pension Benefit Guaranty Corporation  
*Office of Inspector General*  
Agreed-Upon Procedures Report

**ZIMMERMAN ASSOCIATES, INC.**

Agreed-Upon Procedures to Verify  
Contract Personnel Qualifications  
Contract PBGC01-CT-04-0727  
For Fiscal Years ended September 30, 2006 and 2007

***September 25, 2009***

***AUD-2009-07 / CA-08-53***





# Pension Benefit Guaranty Corporation

Office of Inspector General

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

September 25, 2009

## MEMORANDUM

To: Arthur S. Block,  
Acting Director  
Procurement Department

From: Joseph A. Marchowsky *Joseph A Marchowsky*  
Assistant Inspector General for Audit

Subject: Final Report: Agreed-Upon Procedures to Verify Contract  
Personnel Qualifications  
Zimmerman Associates, Inc. Contract PBGC01-CT-04-0727  
(AUD-2009-07/CA-08-53)

This memorandum transmits a report regarding the experience of employees assigned to the PBGC contract No. PBGC01-CT-04-0727. We hired the CPA firm of Ollie Green and Company (Ollie Green) to determine if Zimmerman Associates processes were adequate to ensure that personnel assigned to the contract met PBGC specifications.

Ollie Green found that Zimmerman Associates did not always verify that assigned personnel met experience requirements specified in the contract because there is no contractual requirement to verify experience. Their recommendation was that PBGC require Zimmerman Associates to implement controls and procedures to ensure that required experience is verified and documented in personnel files for all employees prior to assigning personnel to PBGC contracts (OIG Recommendation No. **PD-132**).

PBGC's response has been incorporated in its entirety as an appendix to the report. PBGC agreed with the report's single recommendation. We agree with PBGC's proposed corrective action for the report's recommendation.

If you have any questions, please contact me at (202) 326-4000 extension 3928.

Attachment

cc: Stephen Barber, Chief Management Officer  
Richard Macy, Chief Operating Officer  
Marty Boehm, Director, Contracts and Controls Review Department



**Independent Accountant’s Report  
Agreed-Upon Procedures  
To Verify  
Contract Personnel Qualifications**

**Zimmerman Associates, Incorporated  
Contract Number PBGC01-CT-04-0727  
(FYs 2006 and 2007)**

**TABLE OF CONTENTS**

Independent Accountant’s Report.....	2
Executive Summary .....	3
Background.....	3
Audit Results.....	4
Finding No. 1- ZAI Officials Did Not Always Verify Contract Personnel Qualifications.....	4
PBGC’s Response To Finding No. 1.....	6
APPENDICES	
I. Scope, Objective and Methodology of the Engagement .....	7
II. PBGC’s Response .....	8





Certified Public Accountants  
1300 South Fourth Street  
Suite 100  
Louisville, Kentucky 40208  
Telephone: (502) 634-3003  
Telefax: (502) 634-3179  
Email: ogreencpa@aol.com  
www.ogreencpa.com

Ollie Green, MBA, CPA  
Susan Savitch, CPA  
Andrea Morris, CPA  
Sharon Adams, CPA, CIA

**Independent Accountant's Report  
Agreed-Upon Procedures  
To Verify  
Contract Personnel Qualifications**

**Zimmerman Associates, Incorporated  
Contract Number PBGC01-CT-04-0727  
(FYs 2006 and 2007)**

To: Rebecca Anne Batts  
Inspector General  
Pension Benefit Guaranty Corporation

The Office of Inspector General (OIG) of the Pension Benefit Guaranty Corporation (PBGC) contracted with our firm to perform the procedures described on page 7, which were agreed to by your office solely to assist you in evaluating whether Zimmerman Associates, Incorporated (ZAI) processes were adequate to ensure that qualified personnel were assigned to PBGC contract PBGC01-CT-04-0727 for fiscal years (FYs) ended September 30, 2006 and 2007. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and *Government Auditing Standards*, 2007 revision, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described on page 7 either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on the financial statements of ZAI. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of PBGC's Office of Inspector General (OIG), PBGC management and ZAI.

A handwritten signature in black ink, appearing to read "Ollie Green".

Ollie Green & Co., CPAs  
Certified Public Accountants

Louisville, Kentucky  
January 23, 2009

## **Executive Summary**

Ollie Green & Company, CPA's (OG& C) was awarded a contract on September 24, 2008 to determine whether ZAI had adequate processes in place to ensure that qualified personnel were assigned to PBGC contract number PBGC01-CT-04-0727 for FYs ended September 30, 2006 and 2007. The contract between PBGC and ZAI is a Cost Plus Fixed Fee contract for ZAI to provide qualified professional staff to manage and operate the Benefits Administration & Payment Department (BAPD) Document Management Center (DMC).

We found that ZAI did not always verify that assigned personnel met experience requirements specified in the PBGC contract because there is no contractual requirement to verify experience. We found 21 instances out of the 47 employees sampled where the employee's experience had not been verified.

To ensure that PBGC is getting the experienced contractor employees that it is paying for, we recommend that PBGC require ZAI to verify all of its employees' experience prior to assigning them to the contract.

## **Background**

The Pension Benefit Guaranty Corporation was established under Title IV of the Employee Retirement Income Security Act of 1974 (ERISA), as amended, 29 U.S.C. §§ 1301-1461, ERISA §§ 4001-4402, to insure the pension benefits of participants in certain defined benefit pension plans. To carry out its mission, PBGC relies heavily on the services of contractors.

The Benefits Administration & Payment Department (BAPD) is responsible for the continued distribution of benefits to participants when the plan terminates. The administration of participant and plan documents requires BAPD to manage and maintain over 9,000,000 pages of pension plan and participant information. BAPD has been converting paper documents to optical images through the use of its Image Processing System.

To assist in carrying out its overall mission, PBGC entered into a Cost Plus Fixed Fee contract with ZAI to provide qualified professional staff to manage and operate the BAPD's Document Management Center (DMC). Specific requirements include providing:

- Correspondence control (incoming mail) services;
- Document preparation services;
- Document scanning, index and verification services;
- Records management services;
- Data entry services;
- Intra-departmental support services;

- Courier services.

ZAI billed PBGC a total of \$5,411,711 for FYs 2006 and 2007, approximately \$2.5 million and \$2.9 million respectively. Contract number PBGC01-CT-04-0727 was awarded to ZAI effective September 30, 2005 for a base period and four option periods. The contract will terminate on September 30, 2009 unless an extension is granted by PBGC.

### **Audit Results**

#### **ZAI Did Not Always Verify Contract Personnel Qualifications**

ZAI did not always verify that assigned personnel met experience requirements specified in the PBGC contract because there is no contractual requirement to verify experience. The contract identified the following personnel positions in paragraphs H.7 and H.15 through H.16.8.

- Program Manager
- Operations Supervisor
- Task Leader
- Senior Computer Operator
- Junior Computer Operator
- Clerk
- Driver
- Information Technology (IT) Specialist

For each of these positions, the contract also specified certain required experience and other professional qualifications. No educational requirements were specified. Paragraph H.8 of the contract states that:

The contractor is responsible for providing personnel under this contract who meet or exceed the minimum qualifications. All contractor personnel assigned to this contract will be subject to review by the Contracting Officer or his representative. Contract personnel found not to meet qualifications or performance standards shall be removed from performing under this contract. Dollars associated with personnel found not to meet the labor category qualifications will be disallowed.

In conducting our audit, we judgmentally selected a sample of 35 employees from a universe of 161. We included at least one employee from each position title invoiced to PBGC. We examined the ZAI's employee records to determine whether ZAI verified the experience of these employees before placing them on the PBGC contract. As indicated in the table below, the contractor only verified the experience requirement for 20 of the 35 employees selected in our sample. ZAI relied on resume information without verification for the remaining 15 employees.

<b>Position Title</b>	<b>Number Of Employees Sampled</b>	<b>Contract Experience Requirement</b>	<b>ZAI Verified Experience Y/N/#</b>
<b>1. Program Manager (Key Employee)</b>	<b>3</b>	<b>10 Yrs-General Experience</b>	<b>Y-3</b>
		<b>8-Yrs-Specialized Experience</b>	
<b>2. Task Leader (Key Employee)</b>	<b>1</b>	<b>4-Yrs-General Experience</b>	<b>Y-1</b>
		<b>2-Yrs Specialized Experienced</b>	
<b>3. Senior Computer Operator</b>	<b>5</b>	<b>3-Yrs-General Experience</b>	<b>Y-5</b>
		<b>2-Yrs Specialized Experience</b>	
<b>4. Junior Computer Operator</b>	<b>20</b>	<b>1-Yr-General Experience</b>	<b>8-Y 12-N</b>
		<b>9-Months-Specialized Experienced</b>	
<b>5. Clerk</b>	<b>6</b>	<b>6-Months-General Experience</b>	<b>Y-3 N-3</b>
<b>Total Sample</b>	<b>35</b>		<b>Y-20 N-15</b>

Key employees were defined in paragraph H.7 of the contract as Program Manager, Operations Manager and Task Leader. All other employees were classified as non-key. ZAI's Human Relations Director stated that they only verified experience for key personnel. She explained that ZAI's policy was not to verify experience of staff positions.

Based on the results of our original sample, we elected to conduct additional procedures to verify independently the work experience asserted by 15 employees (12 from the universe and 3 from the original sample) billed on the PBGC contract. These 15 employees were key and non-key employees. In this expanded sample, we found that 9 of the 15 employees selected had adequate proof of verification of experience in their file. For the remaining 6, we contacted the employees' previous employers to attempt to verify the employees' experience represented in their resumes. Our contacts resulted in very limited information from the previous employers. The employers we contacted would only verify that the individual was employed but would not provide information on length of employment in specified positions. Accordingly, we were unable to definitively verify that these employees met the experience requirements specified in the contract.

Overall, we were unable to verify that 21 of the 47 employees tested met the experience requirement specified by PBGC. Our inability to verify employment after assignment to the PBGC contract points out the need to adequately verify and document employee qualifications prior to assignment to the contract. The PBGC contract has specified experience qualifications for each of the job categories. If the contractor does not verify all employees' experience, not just those key personnel, then the contractor has shifted the risk to PBGC that employees do not meet the contractual requirements.

We did not question costs associated with this finding since, through our additional procedure, we could not definitely determine that any employees had not met the specified experience requirements.

**Recommendation:**

We recommend that the PBGC Contracting Officer require ZAI officials to implement internal controls and procedures to ensure that required experience is verified and documented in personnel files for all employees prior to assigning personnel to PBGC contracts (**PD-132**).

**PBGC's Response**

PBGC concurred in principle with the recommendation. As the period of performance for this contract expires as of September 30, 2009, PBGC noted that implementation of internal controls on this contract was a moot point. However, PBGC stated it would: (1) alert the contractor to the issue for any future government work it may perform; and (2) insert a clause in its future contracts, where personal qualifications are specified, establishing contractor's responsibility to independently verify employees education experience and its responsibility to maintain records of its verification actions.

**Auditor's Evaluation:**

We concur with PBGC's response.

**Scope, Objective and Methodology**

We have applied certain agreed-upon procedures solely to assist the OIG in determining whether ZAI's processes were adequate to ensure that qualified personnel are assigned to PBGC contract PBGC01-CT-04-0727 for FYs ended September 30, 2006 and 2007. Ollie Green & Company, CPA's (OG& C) was awarded this contract on September 24, 2008. We initiated the planning phase for this engagement on September 29, 2008 and completed all planning activities on October 15, 2008. The field work phase was initiated on October 27, 2008 and was completed on January 23, 2009.

The scope of our engagement covered fiscal years ended September 30, 2006 and 2007 for contract number PBGC01-CT-04-0727. The objective of the engagement is to determine whether ZAI's processes were adequate to ensure that qualified personnel are assigned on PBGC contracts. This agreed-upon procedure engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and *Government Auditing Standards*, July 2007 revision, issued by the Comptroller General of the United States.

In conducting our work, we:

- Obtained and reviewed copies of contracts, amendments and invoices provided by PBGC-OIG officials for FYs 2006 and 2007;
- Attended a planning meeting with PBGC-OIG officials in Washington, DC to discuss the objective, scope, methodology, timing and other pertinent audit concerns.

To meet our audit objectives, we identified all employees with billed charges to the contract for FYs 2006 and 2007; compared contract employee positions and job descriptions to positions and job descriptions specified in the PBGC contract; and selected a judgmental sample of employees to be tested for required qualifications. During the field work phase, we reconciled sampled employee employment applications to resumes; reconciled information on testimonial resumes to contract qualifications specified in the contract; interviewed employees and compared their responses to resume information and to required contract qualifications; called past employers to verify experience on the resume and compared billed employees to their form W-2s. At the conclusion of our field work, we conducted an exit conference to discuss all preliminary findings and timing of the draft report.



Pension Benefit Guaranty Corporation  
1200 K Street, N.W., Washington, D.C. 20005-4026

## MEMORANDUM

July 23, 2009

To: Joseph Marchowsky  
Office of the Inspector General

From: Arthur S. Block   
Acting Director  
Procurement Department

Subject: Response to Draft Report on Zimmerman Associates

I welcome the opportunity to comment on the Office of Inspector General's subject report. Management sincerely appreciates the work of your office in overseeing this audit. We concur in principal with your report and offer the following comments.

The period of performance of PBGC's contract with ZIA (PGBC01-CT-04-0727) expires September 30, 2009. Requiring ZIA officials to implement internal controls and procedures to ensure the required experience is verified and documented is somewhat a moot point, however, we will alert the contractor to this issue in light of any future government work they may perform.

PD proposes to insert the following clause for all future contracts where applicable, i.e. whenever personnel qualifications are specified in terms of education and/or experience. This clause is designed to address OIG concerns with regard to verification and documentation by the contractor of employee educational and experience qualifications.

### Education and Experience Qualifications

The Contractor is responsible for providing personnel under this contract who meet or exceed the minimum educational and/or experience qualifications in this contract. By assigning an employee to work under this contract, the contractor verifies that the employee's educational and/or experience has been independently validated. A record of the independent validation of the employee's educational and/or training credentials shall be retained by the contractor for Government inspection for a period of three year after final payment. Contractor personnel found by the Contracting Officer not to meet the minimum educational/experience qualifications and/or performance standards shall be removed immediately from this contract upon request by the Contracting Officer. Further, price/cost of work performed by a person who lacks the requisite education and/or experience may be reduced at the discretion of the Contracting Officer.

Again, I value the work of the OIG, and PBGC management stands ready to work with your office in fully addressing the issues that you have called to our attention.

cc: Martin O. Boehm





If you want to report or discuss confidentially any instance of misconduct, fraud, waste, abuse, or mismanagement, please contact the Office of Inspector General.

Telephone:  
The Inspector General's HOTLINE  
1-800-303-9737

The deaf or hard of hearing, dial FRS (800) 877-8339 and give the Hotline number to the relay operator.

Web:  
<http://oig.pbgc.gov/investigation/details.html>

Or Write:  
Pension Benefit Guaranty Corporation  
Office of Inspector General  
PO Box 34177  
Washington, DC 20043-4177