



# Pension Benefit Guaranty Corporation Office of Inspector General

**Semiannual Report to Congress**  
April 1, 2004 to September 30, 2004



## **Mission**

The Office of Inspector General is an independent and objective voice that helps Congress, the Board of Directors and PBGC protect the pension benefits of American workers by promoting positive change, accountability, and integrity

## **Vision**

We will be recognized by our stakeholders as the primary source of objective & independent information for their key decisions

## **Values**

### **Respect**

*We will treat others as we would like them to treat us*

### **Excellence**

*We will constantly innovate & improve the quality and value of our work*

### **Integrity**

*We will be a role model of ethical behavior*





# Pension Benefit Guaranty Corporation

## Office of Inspector General

1200 K Street, NW, Washington, DC 20005-4026

October 31, 2004

The Honorable Elaine Chao  
Chairman, PBGC Board of Directors

On behalf of the Office of Inspector General (OIG) for the Pension Benefit Guaranty Corporation (PBGC), I am pleased to submit this *Semiannual Report* to the U.S. Congress. The report summarizes OIG activities for the six-month period ending September 30, 2004. It details our efforts to improve the economy and efficiency of PBGC operations; describes our efforts to prevent fraud, waste, and misconduct; and fulfills our reporting requirements under the Inspector General Act.

We set our mission to be an independent and objective voice that helps the Congress, the Board of Directors, and PBGC management protect the pension benefits of American workers by promoting positive change, accountability, and integrity. In the last six months, we have continued our emphasis on improving communication with management and focusing our work on important issues.

We worked collaboratively with PBGC management to identify ways to ensure reliable and complete financial reporting, enhance efficiency, improve customer service, and promote ethical business practices. PBGC's initiative under the direction of the chief financial officer to identify, document, test, and report on key internal controls is one of the first of its kind in the federal government. We fully support these efforts because they demonstrate PBGC's commitment to strengthen internal controls and improve management oversight.

Two priorities for our office during this reporting period were accelerated financial reporting and demarcating the line between the authority of OIG and the oversight responsibilities of management. The OMB required that FY 2004 audited financial statements be issued by November 15, 2004—75 days earlier than last year. The OIG worked closely with PBGC management to meet this requirement. I am also encouraged by the progress we made by working collaboratively to better define the oversight roles and responsibilities of management and the OIG. We believe these efforts will improve the quality and effectiveness of audit oversight, foster better communication, and prevent duplication.

As PBGC celebrates its 30th anniversary, it will continue to face many challenges. PBGC's growing deficit has focused attention on the agency, and many are questioning the viability of defined benefit pension plans without comprehensive legislative reform. At the same time, PBGC will have to deal with the dramatic increase in workload caused by terminations of underfunded plans. The OIG fully supports the PBGC's efforts to encourage a constructive dialogue with the Congress, the Administration, the Board of Directors, and other stakeholders about comprehensive reforms in the laws governing defined benefit plans that are needed to protect the pensions of 44 million workers and retirees.

Based on input from key stakeholders and knowledge gained from our work, we have identified what we believe are the most important challenges the Corporation faces. We no longer consider the appeals process to be a major challenge for PBGC because substantial progress has been made in reducing backlogs. Because contracting activity doubled from 1999 to 2003 and now represents more than 60 percent of the annual operating budget, we are adding procurement and contracting to our list of management challenges. We plan to devote significant resources to reviewing contract management in the coming year to assist PBGC in controlling contract costs and improving contract management.

I am grateful for your support of my office, as well as to the management of the Corporation for its cooperation and responsiveness to our work. We are proud to be part of PBGC and look forward to working with the Congress, the Board of Directors, and management to protect the pension benefits of American workers.

A handwritten signature in black ink, reading "Robert L. Emmons". The signature is written in a cursive style with a prominent initial "R".

Robert L. Emmons  
Inspector General

# Table of Contents

**Letter to the Chairman**

**Executive Summary ..... 1**

**Introduction ..... 3**

The Pension Benefit Guaranty Corporation  
The Office of Inspector General

**Audits ..... 5**

Overview  
Audit Activity  
    Governance  
    Financial Management  
    Program Operations  
    Information Technology Security  
    Procurement and Contracting  
Other Audit Activity  
Access to Information  
Management Decisions

**Investigations ..... 17**

Overview  
Activity This Period  
    Significant Investigations  
    Summary of Investigative Activities

**Other Office of Inspector General Activities ..... 21**

Review of Proposed Statutory and Regulatory Changes  
Customer Satisfaction Surveys  
Internal Activities  
External Activities

**Appendix ..... 23**

Cross-Reference to Reporting Requirements of the Inspector General Act  
Inspector General Audit Reports  
Reports Issued with Questioned Costs  
Reports Issued with Recommendations That Funds Be Put to Better Use  
Significant Open Recommendations  
Audit Recommendations Open More Than 24 Months

**Glossary ..... 30**



# Executive Summary

This *Semiannual Report to Congress* summarizes the activities and accomplishments of the Pension Benefit Guaranty Corporation (PBGC) Office of Inspector General (OIG) for the period April 1, 2004, through September 30, 2004. During this period, we focused much of our effort on accelerated financial reporting and demarcating the line between the authority of the OIG and the oversight responsibilities of management. When accomplishing audit and investigative work, we will ensure that our work accords with our mission to be an “independent and objective voice for Congress, the Board of Directors, and PBGC.” We want to focus our work on the challenges facing PBGC and to be the primary source of timely and objective information for the organization. We will accomplish our work demonstrating our values of respect, excellence, and integrity.

In the audit area, our work included the following:

- *Governance*—working with the Board of Directors, executive management, independent audit oversight, and audit policy (see page 5).
- *Financial management*—accelerated financial statement reporting, financial statement auditing, and systems integration (see page 8).
- *Program operations*—issuing a report on the economy and efficiency of PBGC’s contracted field benefit administration offices; as advisory members, working with teams to address premium accounting issues and the OMB’s PART assessment (see page 9).
- *Information technology security*—submitting the OMB-mandated response on the agency’s progress, and continuity of operations (see page 12).
- *Procurement and contracting*—beginning a new responsibility (see page 13).

In the investigative area, we received a record number of allegations of wrongdoing: 60 inquiries, of which 35 became cases. We closed five cases and 36 inquiries during the reporting period. We conducted significant investigative work this period, including—

- recovering stolen PBGC laptop computers, resulting in four indictments (see page 18);
- determining that PBGC employees and contractors were misusing PBGC computers and e-mail to view and share pornography (see page 18);
- receiving an indictment against an individual who stole a pension check (see page 19); and
- closing 10 inquiries related to pension benefit fraud (see page 19).

We also report on the agency’s actions on two investigative reports we issued in prior periods.



# Introduction

## The Pension Benefit Guaranty Corporation

The Pension Benefit Guaranty Corporation (PBGC, or the Corporation) was established under Title IV of the Employee Retirement Income Security Act of 1974 (ERISA), as amended (5 U.S.C. §§ 1301-1461), as a self-financing, wholly owned federal government corporation to administer the pension insurance program. ERISA requires that PBGC (1) encourage the continuation and maintenance of voluntary private pension plans, (2) provide for the timely and uninterrupted payment of pension benefits to participants and beneficiaries, and (3) maintain premiums at the lowest level consistent with carrying out PBGC's obligations.

For about 44 million Americans, PBGC provides assurance that their retirement benefits will be paid, up to a statutory limit. PBGC protects the pensions of participants in certain defined benefit pension plans (i.e., plans that promise to pay definitely determinable retirement benefits). Such defined benefit pension plans may be sponsored individually or jointly by employers and unions. In recent testimony, PBGC reported that it insures pension benefits worth \$1.5 trillion and is responsible for paying benefits to nearly one million people in more than 3,200 terminated defined benefit plans. Benefit payments totaled about \$2.5 billion in fiscal year 2003 and are expected to grow to nearly \$3 billion in FY 2004.

In its FY 2003 financial statement, the PBGC reported that it has assets of about \$35 billion, liabilities of \$46 billion, and a net deficit of \$11 billion.

## The Office of Inspector General

The mission of the Office of Inspector General (OIG) is to be an independent and objective voice that helps the Congress, the Board of Directors, and PBGC protect the pension benefits of American workers by promoting positive change, accountability, and integrity. To accomplish this goal, the OIG conducts agency audits, inspections, and investigations to provide our stakeholders with information they need to make decisions. Our OIG staff consists of 13 employees; two are investigators and one is an administrative assistant. We have received five additional full-time equivalent positions that we are working to fill now.

Major change continued during this reporting period. We developed strategic goals to focus on the stakeholder, the business, and the employee. To provide value, we must focus our work on the challenges that PBGC is facing, whether we are issuing audit, evaluation, and investigative reports or consulting with PBGC and participating on various teams and in working groups. We are committed to exhibiting our values of respect, excellence, and integrity in all we do.

### *How is PBGC funded?*

*PBGC receives no funds from general tax revenues. Operations are financed by insurance premiums, investment income, and assets and recoveries from pension plans trusted by PBGC.*

Our approach to audit planning concentrates our efforts on identifying issues that are important to PBGC. We maintain an inventory of suggested audits that we receive from a variety of sources, including the Board of Directors and PBGC's senior managers. Each year, we assess risk in terms of material impact on operations and potential for adverse publicity for the Corporation. Based on this risk assessment, we identify the most important challenges on which to focus our work. The final step is to plan and conduct audits that address those challenges. Following are the major questions on which we will focus in the coming year:

- Does PBGC have a governance model that ensures reliable and complete financial reporting, effective customer service, and ethical business dealings?
- Does PBGC have the strong financial controls that are needed to protect assets and minimize costs?
- Does PBGC effectively balance operational efficiency with optimal customer service?
- Do PBGC contractors provide quality products and services at a reasonable price?
- Do PBGC's information systems maximize customer service while protecting the privacy and integrity of information?

We have scheduled audits in 2004 and 2005 to address each of these challenges.

As required by the Chief Financial Officers Act, we continue to audit PBGC's financial statements. The OIG has a multiyear contract with an independent public accountant (IPA) to perform the audit of the Corporation's FY 2003 and FY 2004 financial statements.

***Who does the OIG report to?***

***The OIG is independent of management, and reports to the Congress and the Secretary of Labor in her capacity as Chairman of the Board of Directors.***

In our attempt to maximize limited resources, our approach to investigations is to apply strict criteria in evaluating the quality of the allegations received. For example, we evaluate allegations against the potential criminal and civil violations, the statute of limitations, the potential for negative publicity for PBGC, and the total assets involved. This allows us to concentrate on investigative issues that are most important to PBGC.

The OIG follows the standards contained in the *Quality Standards for Federal Offices of Inspector General*, published by the President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE). These standards require audits to be conducted in accordance with Government Auditing Standards, issued by the Government Accountability Office. Our investigations comply with *Quality Standards for Investigations*, which have been accepted by the PCIE and ECIE.

# Audits

## Overview

Our approach to audits of Corporate programs and operations is to focus our work on major management challenges. Using our past work and input from the Board of Directors and senior managers, we identified what we believe are the most important challenges facing the Corporation: governance, financial management, program operations, information technology security, and procurement and contracting. In addition to conducting traditional audits and evaluations in these challenge areas, the OIG staff participated on corporatewide teams addressing various issues of joint concern and looked for opportunities to provide consultation. Our goal is to have a positive impact on the decision-making process of the Board of Directors and PBGC management.

## Audit Activity

### 1. Governance

The Board of Directors, PBGC management, and the Office of Inspector General are committed to a governance model that ensures reliable and complete financial reporting, effective customer service, and ethical business dealings. To assist the Corporation in addressing the challenge of corporate governance, the OIG is working with the Board of Directors and management to identify ways to improve its governance.

#### Board of Directors

The members of the Board of Directors—the Secretaries of Labor, Treasury, and Commerce—oversee the programs and operations of PBGC. The OIG continued to work with the Board of Directors to assess the process for overseeing the Corporation in a way that balances the requirements for greater oversight without crossing the line into management’s responsibilities. During the reporting period, the OIG met with the Board and its representatives to—

- discuss the status of corrective actions on material weaknesses and reportable conditions contained in the annual financial audit;
- identify major management challenges, including a new emphasis on procurement and contracting; and
- provide an overview of the collaborative efforts of management and the OIG to achieve a 45-day close of the financial statements.

*The Board of Directors, PBGC management, and the Office of Inspector General are committed to a governance model that ensures reliable and complete financial reporting, effective customer service, and ethical business dealings.*

Periodic meetings provide the OIG a forum to keep the Board informed and use our independent work to identify operational improvements, assess performance, and encourage accountability. At the conclusion of each meeting, the OIG meets separately in executive session with the Board members. The OIG looks forward to a continuing dialogue with the Board on how to best provide appropriate oversight of PBGC.

### Internal Controls

PBGC management is a major component of the Corporation's governance model and is responsible for implementing internal controls that ensure effective and ethical operations. A major aspect of this responsibility is identifying business risks and implementing controls to mitigate those risks. Although not required to do so, management has aggressively implemented several initiatives to identify key controls and assess the overall control environment.

These efforts are among the first in the federal government to comprehensively identify, document, test, and report on the agency's significant internal controls. The OIG supports these initiatives because they demonstrate PBGC's commitment to strengthen internal controls and improve management oversight of the operations and programs. OIG financial auditors will continue to coordinate their work with management's internal control efforts to prevent duplication of effort and save resources.

### Challenges Facing the Corporation

- *Governance*
- *Financial Management*
- *Program Operations*
- *Information Technology Security*
- *Procurement and Contracting*

### Independent Audit Oversight

In September 2000, the Government Accountability Office (GAO) issued a report that identified several deficiencies in PBGC's contract management. One of these deficiencies involved the independence of PBGC's contract audit activities. Until recently, the primary responsibility, resources, and activities devoted to this function were performed by management under the oversight of the Chief Financial Officer. The GAO reported that this situation created a lack of organizational independence to conduct contract audits for the agency. To resolve this deficiency, the GAO outlined a recommendation for PBGC management that would promote better objectivity and independence of its contract auditing activities.

Because PBGC had not satisfied the GAO's recommendation—and to facilitate a resolution of this issue—the OIG initiated a follow-up audit to review the facts surrounding the issue and the impact of recent changes in government auditing standards. In addition, we reviewed the actions PBGC management had taken and proposals they had made to satisfy the GAO's recommendation. To conduct this audit, we coordinated our work with the GAO, interviewed agency officials, benchmarked with other federal agencies, and collected and analyzed contract and contract audit information.

Over several months, the OIG engaged in a constructive dialogue with PBGC management and the GAO to ensure that there was a common understanding of the intent of the GAO's original recommendation and reasons that it remained open; the impact of the new independence standard issued by the GAO in the Government Auditing Standards;

and the Inspector General's authority to conduct audits. As a result, management has agreed on the following:

- The OIG is responsible for conducting independent contract audit oversight.
- The internal PBGC department is not independent to conduct audits, will not refer to its work as "contract audits," and will not cite the *Yellow Book* auditing standards.
- PBGC will consult with the OIG before awarding contracts to public accounting firms for audits.

Based on management's actions, the GAO closed its recommendation, and there was no longer a need for the OIG to issue a follow-up audit report.

### **Audit Policy**

To promote a better understanding of audit oversight responsibilities, the OIG issued an audit policy to define its statutory responsibilities under the Inspector General (IG) Act. The goal of this policy is to improve the quality and effectiveness of audit oversight by fostering better communication and preventing duplication. Recognizing that both the OIG and PBGC management contract with nonfederal auditors, the policy specifies the OIG's responsibility to avoid conflicts of interest, and protect the interests of PBGC. However, the IG Act is not intended to conflict with management's responsibility to review or oversee such PBGC operations as—

- understanding internal controls and verifying that they are operating effectively,
- performing regulatory audits or reviews to satisfy PBGC's oversight responsibilities under ERISA (e.g., audits when trusteeing a plan or Premium Compliance Reviews performed by PBGC's Contracts and Control Review Department), and
- management reviews of contractor proposals to provide the contracting officer with better information.

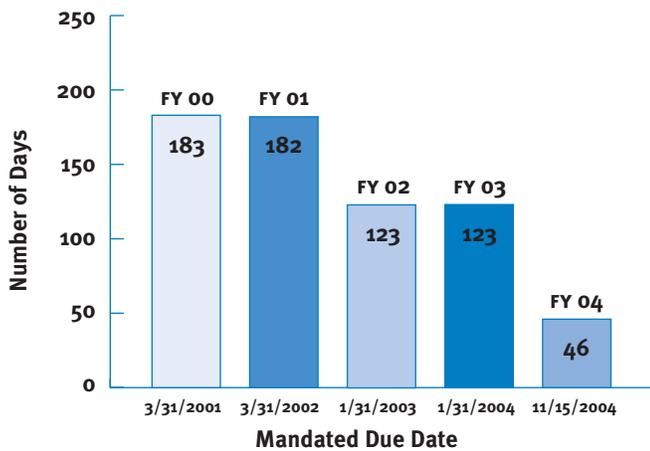
The OIG will review proposed contracts for audit services provided by nonfederal auditors to determine whether the work duplicates the work of the OIG, causes a conflict of interest, or affects auditor independence.

To assist the OIG in carrying out its responsibilities, management agreed to inform the OIG of contracts for nonaudit services provided by nonfederal auditors before an award. The OIG will promptly inform management of potential concerns, such as duplication or conflict of interest. We will work with management to develop and implement guidelines for this policy by the end of 2004.

## 2. Financial Management

PBGC is a major government enterprise that manages assets of more than \$35 billion. In FY 2004, the Corporation paid out about \$2.5 billion in benefit payments to retirees. For this reason, strong financial management controls are needed to protect assets and minimize costs. At the end of FY 2003, PBGC had a net deficit position of \$11.5 billion. Because of this situation, the OIG continues to focus much of its work on financial management issues to help management address this challenge.

### ACCELERATED FINANCIAL REPORTING Days to Prepare Audited Financial Statements



### Accelerated Financial Reporting

PBGC is committed to complying with the federal government's mandate for accelerated reporting on audited financial statements. Last year, PBGC submitted its financial statements to the Office of Management and Budget (OMB) on January 5, 2004, almost a month before the OMB's deadline. This year's OMB mandate requires that the FY 2004 audited financial statements be issued by November 15, 2004, which will present an even greater challenge.

The OIG and its financial auditors, PricewaterhouseCoopers LLP (PwC), continue to meet with management to assist in identifying PBGC's challenges to completing financial statements earlier. Some of the challenges PBGC is addressing are identifying, documenting, and testing its controls; modifying its methodology for estimating

contingency reserves; and requiring analyses for the third-quarter financial close that were formerly performed only at year-end. The auditors are accelerating much of the audit work, and they plan to test the controls of PBGC's new processes on the third-quarter close. We applaud PBGC's commitment to examine its operations for efficiency and effectiveness and to produce well-supported financial statements.

### Financial Statement Audit

Under the general guidance of the OIG, PwC began the financial audit work very early this year. When the work is completed, the OIG will issue three reports related to the audit of PBGC's financial statements: (1) an opinion on the financial statements, (2) the report on internal control, and (3) the report on compliance with applicable laws and regulations. In addition, the OIG will issue two separate management letter reports as a follow-on to the FY 2004 Financial Statement Audit. One management letter will report findings and recommendations concerning the program and financial operations within PBGC, and the second will cover PBGC's information technology environment, including general computer controls and application controls related to the financially significant systems.

### Reserve Methodology for Loss Contingencies

During the audit of PBGC's FY 2003 and 2002 financial statements, the *Report on Internal Control* contained a recommendation for PBGC to reevaluate the methods

by which it calculates its reserves for loss contingencies for defined benefit plans to include a more actuarially sound methodology for estimating the loss contingency. During this semiannual period, PBGC hired a contractor with actuarial experience to assist in developing a more actuarially sound methodology. Also, the OIG and PwC met often with PBGC management in a collaborative manner to discuss the recommendation and the contractor's proposed approaches. As a result, PBGC is expected to begin implementing a revised methodology for estimating the loss reserve for its FY 2004 financial statements. We will report the results in our FY 2004 financial statements audit report.

### Systems Integration Project

The Corporation's lack of integrated financial management systems was identified as a reportable condition in past audit reports. Lack of integrated financial systems can significantly affect the Corporation's ability to accurately and efficiently accumulate and summarize information required for internal and external financial reporting. With the introduction of accelerated reporting, this issue could negatively affect the ability of PBGC to complete its OMB reporting and filing requirements in a timely manner.

As a result of our continued highlighting of the issue, PBGC made integration of financial systems a priority in its strategic plan. In January 2004, a working group was established to develop an action plan for integrating systems that affect financial statements. The OIG participated in this working group as an advisory member. A plan of action has been developed and presented to the executive director and the project steering committee and is now awaiting funding and resources prior to completing the next step toward addressing the systems integration issue.

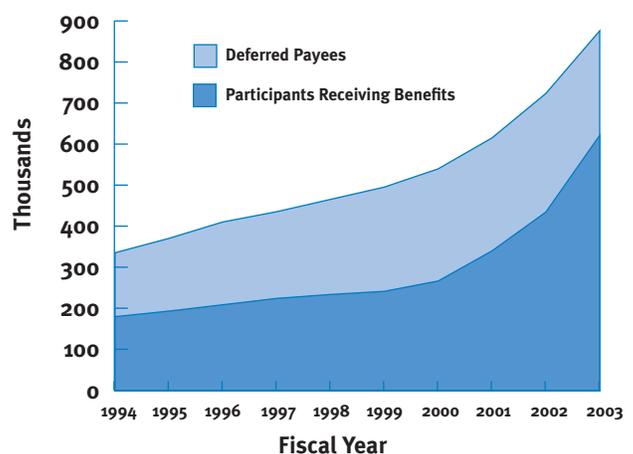
## 3. Program Operations

PBGC is constantly facing the challenge of balancing operational efficiency with providing optimal customer service, while protecting Corporate resources. During this reporting period, the OIG issued a report on PBGC's field benefit administration and conducted work in procurement and contracting activities. In addition, as a result of previous audit work, management proceeded in its efforts to complete a business process reengineering project for the Premium Accounting System. The results of this project will be used to design and implement a new system to make the premium process more efficient and effective.

### Field Benefit Administration Evaluation (2004-9/23178)

PBGC's responsibility for paying pension benefits has increased substantially over the past 10 years. As of September 30, 2003, PBGC was responsible for the pensions of more than 930,000 people—more than 457,000 who are currently receiving benefits and another 375,000 who will begin to receive benefits when they retire in the future.

**PARTICIPANTS AND BENEFICIARIES RECEIVING PBGC PAYMENTS FROM THE SINGLE-EMPLOYER PROGRAM**



Field Benefit Administration (FBA) contractors perform the vast majority of benefit and plan administration processing.

An FBA is a contract office in the field that works for PBGC's Insurance Operations Department (IOD) to provide participant and benefit processing services and assistance to case processing. Most of these services fall under the following categories:

- gathering and maintaining participant data (which is necessary in order to calculate the participants' accrued benefit);
- performing participant processing (this administration activity includes sending notification letters concerning PBGC's trusteeship, requesting information from participants, putting participants into pay status, changing address information, etc.);
- processing benefit determination letters (BDLs) (this is the letter that informs the participants of their benefit entitlements under ERISA as calculated by PBGC);
- performing plan closing; and
- performing ongoing administration activities of closed plans.

In July 2003, the Chief Operating Officer and the Chief Management Officer requested that the OIG evaluate the concept for operating FBA offices. To accomplish this, the OIG engaged a team from the accounting firms of Regis & Associates PC and Clifton Gunderson LLP. The overall objective of this evaluation was to determine whether the current FBA concept optimizes customer service at the lowest possible cost. Working with management, the review team identified five key conclusions:

- The current FBA concept limits PBGC's ability to consider alternative operational models that might increase efficiency and decrease cost, while maintaining customer service standards.
- PBGC should consider alternative contracting approaches to provide better value, encourage competition, and promote innovation by vendors. Currently, PBGC uses labor-hour contracts to engage FBA contractors.
- There are opportunities for PBGC to achieve greater efficiencies while sustaining or even increasing its customer satisfaction levels.
- The existing performance metrics do not accurately measure contractor performance.
- A number of industry best practices could be implemented in benefit processing to achieve improved efficiency and economy without compromising customer service quality.

In addition, the review team was asked to evaluate PBGC's Customer Contact Center. Because all telephone calls are directed into the Contact Center, its operation is a significant part of the plan-processing work flow. The review team concluded that—

- identifiable operational efficiencies and potential cost savings could be realized through alternative approaches; and
- higher-skilled Customer Contact Center employees, supported by enhanced technology and access to plan and benefit information, could handle many, if not most, calls to resolution at the first point of contact.

Finally, the review team identified the following three significant issues:

- Generally, individuals were knowledgeable in their job areas. However, the review team noted multiple instances in which key individuals did not have the “big picture” of how their job supports the mission, goals, and objectives of PBGC. In today’s business environment, cross-training and cross-functional capability are increasingly important as organizations strive to maximize productivity without expanding resource use. We concluded that PBGC could improve performance by developing better employee understanding of how individual responsibilities link to corporate goals and objectives. This perspective would encourage a better connection between the strategic plan and performance.
- The review team found that FBAs tend to be overadministered and undermanaged. FBAs are given very detailed criteria for staff recruiting and requirements for work processes and work flow. There is, however, little analysis and oversight of resource allocation and level of effort in interim work steps. PBGC has an opportunity to improve performance by focusing its attention on such major milestones as output of benefit determination letters.
- Measuring performance in a way that links individual accomplishment to the organization’s strategic goals and objectives is consistent with the business model used by many of today’s successful private-sector organizations. Making these linkages is difficult. However, this approach allows organizations to move from assessing performance to managing performance, hence developing a culture based on results.

In summary, we found that the current FBA concept is functional, allowing PBGC to complete its work effectively with some flexibility for volume fluctuations. This has allowed PBGC to deal with a dramatically increasing workload in recent years. However, with the prospect of greater increases in workloads, the opportunities identified by the review team to modify the current FBA concept are even more timely. These modifications will allow PBGC to increase efficiency and decrease cost, while maintaining customer service standards. PBGC upper-level management was very receptive to the findings and conclusions. We plan to follow up on the agencies’ plans for incorporating our suggestions into their operations.

### **Premium Accounting Business Process Reengineering**

The OIG is continuing its support of the Corporation’s efforts to reengineer its Premium Accounting System. In August 2003, the firm Booz-Allen Hamilton began work on the requirements phase of the business process reengineering (BPR) of the Premium Accounting System. During this phase, the OIG provided advice to the PBGC project manager on requirements relating to system control and to issues identified in previous OIG audit/review work.

The BPR requirements phase was approaching completion at the end of the reporting period. The main product of this phase was a functional requirements specification for the reengineered Premium Accounting System. This functional specification will provide the basis for a solicitation to select a contractor to implement the reengineered system. In July 2004, PBGC contracted out for this phase of the work, and a production system

is expected by March 31, 2005. The OIG will monitor the system-implementation phase and continue to provide advice, as appropriate, to the project manager.

A successful Premium Accounting BPR will result in more accurate, timely, and reliable premium accounting information for PBGC and its customers. This will lead to more effective debt management and improved financial management and reporting.

### **Program Assessment Rating Tool Team**

The OIG continued participating as a nonvoting adviser to an agency team that was preparing for OMB's review using its Program Assessment Rating Tool (PART). PART is a diagnostic tool designed by the OMB to rate federal programs and assist the OMB and the Congress in making funding decisions. It addresses the President's Management Agenda initiative to integrate budget and performance and the Government Performance and Results Act requirements.

In an advisory capacity to the PART team, the OIG commented on proposed responses to the PART questionnaire and assisted in identifying supporting documentation. During the summer of 2004, the OMB conducted the PART assessment in conjunction with its FY 2006 budget review of the Department of Labor, which includes PBGC. The PART results will be published by the OMB in February 2005.

## **4. Information Technology Security**

PBGC has major initiatives to enhance customer service by providing access to information through Web-based applications. Protecting the privacy and integrity of customer information is a major challenge for PBGC. The OIG continues to include in its annual plan audits to assist the Corporation in meeting this challenge.

### **Federal Information Security Management Act (FISMA) Report**

Over the past years, the OIG and PBGC have focused on improving the effectiveness of the Corporation's security program and reducing associated risks to the business operations. This has included several specific security-related reviews performed by the OIG, such as follow-up work on network attack and penetration testing, a comprehensive review of security policy and procedures, and assessments of the business systems and the control structure surrounding those systems. The results of this work—some of which is continuing as part of the financial statement audit—are included in the annual report to the OMB, in compliance with FISMA reporting requirements. This report will be completed and sent to the OMB in October 2004.

To further assist PBGC with its security development program, the OIG will continue to perform independent evaluations on an annual basis, in addition to scheduled audit projects.

## Continuity of Operations

Planning for continuity of operations (COOP) in the event of an emergency has been a major challenge for PBGC. Over the past years, we have worked with PBGC to address COOP as an enterprisewide process.

PBGC continues to improve in its efforts to prepare for an unexpected interruption in normal business activities. PBGC engaged in two COOP events during this period. As part of the governmentwide test that took place on May 12, 2004, designated PBGC managers reported to an emergency relocation site to perform tasks associated with simulated emergency conditions. Later in the summer, PBGC also tested the recoverability of its major business applications associated with the benefit payment process and the financial reporting systems. Although not all applications or processes functioned successfully, the testing did provide PBGC with critical information required to correct those conditions that led to applications failure.

## 5. Procurement and Contracting

PBGC spends about 60 percent of its operating budget on contractors because of limitations on the number of full-time employees it is authorized to hire to perform its statutory responsibilities. Therefore, the use of contracts and the procurement process is an important management activity at PBGC. As a result of the OIG's follow-up on independent contract audits, mentioned above, the agency has agreed that the OIG will be responsible for conducting independent contract audit oversight. Before we could exercise this responsibility, we had to conduct a number of planning activities, including—

- preparing a database of contracts that needed audits, and procurement activities that needed review;
- developing a risk-based approach for prioritizing and identifying contracts and processes that needed audits performed;
- issuing contracts for audit services with the Defense Contract Audit Agency and several independent public accounting firms to perform this work until the OIG can hire additional employees; and
- coordinating our work with the agency to ensure a smooth and systematic transition to this new responsibility.

Our initial audit work in this area includes two types of engagements that started in September. First, we initiated a performance audit of PBGC's procurement process to identify ways to improve operations, facilitate decision making, and improve accountability. Second, we started a series of contract audits (nine) to verify that the amounts billed by contractors are allowable, reasonable, supported, and consistent with the terms of the contracts. We will issue several reports on our work and expect to complete this initial effort in May 2005.

*Who oversees the quality of  
OIG work?*

*The OIG receives a peer review  
every three years to verify compli-  
ance with professional standards  
issued by the President's Council  
on Integrity and Efficiency.*

## Other Audit Activity

### Peer Review of Peace Corps

We conducted a quality control review of the audit operations of the Peace Corps Office of Inspector General. External peer reviews are conducted within the OIG community to evaluate the audit organization's system of internal quality control and to ensure that it complies with generally accepted government auditing standards. The peer review encompassed the elements of staff qualifications, independence, audit performance, and quality assurance. Peace Corps officials said that our observations and suggestions will assist them in continuing to improve their audit operations.

### Planned Audit Projects

#### Erroneous Payments Review

To support the OMB's initiative to strengthen controls over erroneous payments, we have begun a review of PBGC's accounts payable process to evaluate controls over vendor verification and invoice processing. As part of the audit, we will review policy and procedures for paying invoices, verifying vendors, and identifying duplicate and erroneous payments. We plan to issue a report in the second quarter of FY 2005.

#### Purchase Card Review

We have begun a review of the process for issuance and use of purchase cards at PBGC. In this audit, we will evaluate controls over spending limits, types of purchases, approval processes, payment processing, and efficiency of payment. The results of this review will be used to help PBGC identify any control weaknesses in the use or issuance of purchase cards and provide effective solutions to remediate those conditions. We plan to issue a report in the second quarter of FY 2005.

## Access to Information

Under the Inspector General Act, the Inspector General is to have unfettered access to all agency records, information, or assistance when engaged in an investigation or audit. Whenever access to requested records, information, or assistance is unreasonably refused or not provided, the Inspector General must promptly report the denial to the agency head.

During this six-month reporting period, the Inspector General's access to information was not restricted.

## Management Decisions

The Inspector General is required to report the following information about management decisions on audit reports that occurred during this six-month period:

- There were no audit reports for which there was not a management decision.
- There were no significant revised management decisions.
- There were no management decisions with which the Inspector General disagreed.



# Investigations

## Overview

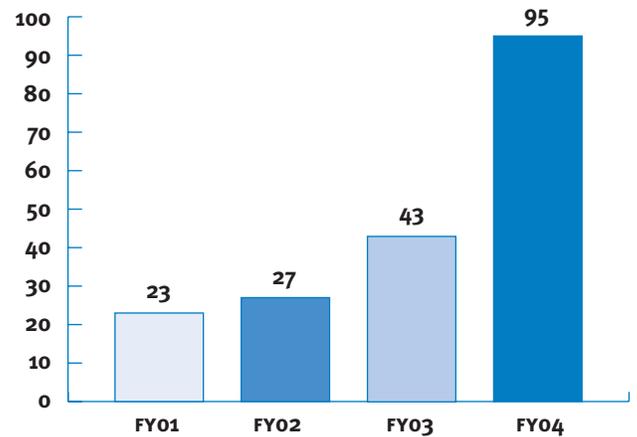
A major responsibility of the Inspector General is to receive and investigate complaints from PBGC employees, the public, and other sources concerning violations of law, rule, or regulation; mismanagement; gross waste of funds; abuse of authority; or a substantial and specific danger to the public health and safety. Individuals may disclose information or make complaints to the Inspector General through the OIG Hotline (see announcement on back cover page). The Inspector General protects the legal rights of whistle-blowers and complainants and takes great care to not disclose their identity without their consent.

The number of allegations we have received has quadrupled over the past four years.

### OIG Hotline

The OIG operates a separate toll-free Hotline telephone number and a confidential Hotline post office box. The OIG Hotline telephone is answered by an investigative staff assistant for a two-hour period, Monday through Friday. At all other times, a recorded message provides information about the Hotline service and refers callers to our main telephone number.

**ALLEGATIONS RECEIVED**



## Activity This Period

### Significant Investigations

#### Management Action on Ethical Misconduct

During our last reporting period, we issued a report of investigation finding that a senior-level PBGC employee had improperly participated in procurement activities involving a former business partner and friend who received multiple noncompetitive contracts over the course of several years, and failed to cooperate in the OIG investigation. This matter was declined for prosecution by the U.S. Attorney's Office and was referred to PBGC for disciplinary action. During the course of management's review, the employee chose to leave federal service.

In our *Semiannual Report to Congress* for the period of April 1 through September 30, 2003, we reported that we completed investigations into allegations of wrongdoing by another senior-level PBGC manager. We had found that the employee had engaged in a pattern of ethics violations and misconduct involving contracting irregularities several years ago, conducted improper business relationships with employees and

contractors, and failed to comply with ethics rules for disclosing business relationships. After the U.S. Attorney's Office declined criminal and civil prosecution, we referred the case to PBGC management for disciplinary action. The employee received and served an unpaid 14-day suspension.

**The following cases are still open; however, significant investigative action took place and criminal and/or administrative processes were begun during the period.**

### Laptop Thefts

Through our liaison with and the cooperation of the San Diego Police Department CATCH Team, we were able to recover a stolen U.S. government laptop computer, resulting in the arrest and indictment of four individuals. In addition to being charged with theft of government property, the individuals were charged with destroying and altering data on a computer; child pornography; identity theft; credit card theft; and the possession, sale, and distribution of controlled substances. We appreciate the expedient action of Detective Dave Hendron and the San Diego CATCH Team in their response to our request for assistance.

During this reporting period, we were able to recover an additional stolen U.S. government laptop computer. The laptop was traced to a Texas university, where it was discovered in the possession of a faculty member. The university police confiscated the computer, and the case was referred to the local district attorney.

*Does the OIG ever find that allegations are untrue or unfounded?*

*Yes, about one quarter of the allegations we receive are not substantiated.*

### Using PBGC E-mail for Pornography

Based on information provided by the PBGC information systems security officer, we initiated investigations that found that employees and contractors were viewing and sharing pornographic and offensive material through U.S. government computers and the PBGC e-mail system. No child pornography was noted. We identified 30 federal and contract employees who were involved in sharing these materials. From our investigations, we conclude that this problem is more expansive than these 30 individuals and is not exclusively a PBGC issue. The cases were referred for possible criminal prosecution, which was declined by the U.S. Attorney's Office. These individuals have been referred to PBGC management for consideration of disciplinary action.

In addition, through our investigation we noted that enormous amounts of e-mail are retained by employees and contractors. We noted that for the 30 individuals we reviewed, there were more than 300,000 e-mails retained in their active e-mail boxes, with one individual having more than 45,000 e-mails. While not all of these were pornographic or offensive, we found that the majority were of a personal nature. Personal PowerPoint slides, photographs, videos, games, and music downloads were myriad. We are working with PBGC management to implement policies and procedures to prevent this type of misuse of U.S. government resources.

## Pension Fraud Cases

As a result of our investigation, an individual was indicted in Chattanooga, Tennessee, for stealing a participant's \$4,000 pension check.

We also completed 10 investigations/inquiries that raised issues of fraud relating to pension plans and benefits, including the following:

- A complaint alleged that a participant's grandson had committed fraud in an attempt to obtain a pension back-payment of more than \$150,000 due his deceased grandfather. We determined that the grandson was deceitful in not providing full disclosure of pertinent information; however, he did not violate any criminal laws. The matter was referred to PBGC's Office of the General Counsel to work out a settlement agreement between the two parties who were claiming entitlement to the money.
- We completed our inquiry into an allegation that family members in two locations improperly applied for the benefits of a deceased participant. The participant had already designated a sole beneficiary. The family members were trying to receive a benefit under the participant's name, with a different Social Security number. No pension funds were diverted, and the sole beneficiary is now receiving the pension benefits.

## SUMMARY OF INVESTIGATIVE ACTIVITIES

For the Six-Month Period Ending September 30, 2004

### Allegations Intake Statistics

#### CASES

Pending beginning of period	14
Opened	35
Closed	5
Pending end of period	44

#### INQUIRIES

Pending beginning of period	34
Received this period	60
Converted to a case	35
Closed	36
Pending end of period	23

### Nature of Inquiries Received

Fraud, waste, and abuse	34
Wrongdoing	5
Ethical issues	2
Improprieties relating to pension benefits	12
Customer service	7

### Inquiries Received through Hotline

Received this period	5
Referrals to agency	1
OIG Customer Assistance	4
Cases opened	0

### Results of Cases and Inquiries Closed

Matters referred for criminal prosecution	
• Prosecution declined—case closed	2
OIG audit referral	1
Pension Improprieties	
• Fraud substantiated—participant repaid	2
• Fraud unsubstantiated	8
Referred to agency for disciplinary/corrective action	7
Customer service	6
Allegation disproved or not substantiated	1
Administrative closing	11
Referral to other law enforcement entities	3
<b>TOTAL</b>	<b>41</b>

# Other Office of Inspector General Activities

## Review of Proposed Statutory and Regulatory Changes

A major responsibility of the OIG under the IG Act is to independently review changes to laws and regulations that are proposed by PBGC. During this period, PBGC proposed changes to the regulation that contains the rules for valuing the pension benefits of participants in pension plans that terminate. The primary change was to adopt the more current mortality assumptions that are used in the private sector. Upon review, we believe the changes are reasonable.

## Customer Satisfaction Surveys

To assist us in achieving our value of excellence, we worked with an agency team to develop a survey that was randomly sent, via e-mail, to PBGC employees and contractors who had dealt with the OIG during the past year in an audit activity. We asked questions about the value of the product, the professionalism of our interactions, and whether we listened to their concerns and responded. The employees and contractors were able to respond anonymously. We will use their responses to address noted concerns and to continue to improve in areas of strength. We plan to survey our customers each year to benchmark performance and evaluate our actions for improvement.

*Why does the OIG survey its customers?*

*The OIG uses the results of surveys to identify processes that need improvement and to develop performance measures.*

## Internal Activities

OIG staff members have engaged in several activities within PBGC to promote fraud prevention, improve relationships between the OIG and PBGC, and provide consultations to managers to improve agency operations. Among these activities are the following:

- An OIG auditor participated as a consultant on the agency team in preparing PBGC's response to the Program Assessment Rating Tool for the Office of Management and Budget's first assessment.
- The Deputy Inspector General and Assistant Inspector General for Investigations participated as speakers in PBGC's ethics training for 450 filers. We also consulted with agency ethics officials to ensure appropriate coverage of issues noted in our investigations.

- The Inspector General and an ethics counselor from PBGC's Office of the General Counsel made a presentation on ethics and leadership to mentors and participants in Leaders Growing Leaders, PBGC's executive development program.
- The investigative staff made presentations in PBGC's timekeepers' training sessions, emphasizing the importance of their role in preventing and detecting fraud.
- Management consulted with us on a variety of issues, including the propriety of certain expenditures, after which we provided input into a policy directive.
- The Inspector General and Deputy Inspector General continue their involvement in PBGC's structured mentoring programs.

## External Activities

Various staff members participated in external professional activities, including the following:

- The Inspector General serves as the Executive Council on Integrity and Efficiency (ECIE) representative to the President's Council on Integrity and Efficiency (PCIE)/ECIE Human Resources Committee. He recently agreed to lead a team that will develop a training curriculum for competencies that are common to the IG community. He also meets monthly as a participant in the Financial Regulatory Agency Inspectors General Coordination Group.
- The Inspector General represents government auditors as a member of the International Seminars Committee of the Institute of Internal Auditors. This committee focuses on identifying emerging trends in auditing and on training courses and seminars to address these trends.
- The Federal Audit Executive Council (FAEC) held its annual conference in Williamsburg, Virginia, in June 2004. Conference guest speakers this year included representatives from the OMB, GAO, OPM, and individual public accounting firms. The OIG's Assistant Inspector General for Audits attended this year's conference and is a regular member of the FAEC.
- The OIG information technology auditor served on a PCIE committee to provide input to the OMB and the Chief Information Officer Council for improving the annual FISMA reports to the OMB. This auditor also serves as an officer for the Baltimore chapter of the Information Systems Audit and Control Association.
- One of our audit managers has been working with a PCIE/ECIE working group that is revising the *Guidance for Conducting External Quality Control Reviews of Audit Operations of Offices of Inspectors General*. This publication is used by OIGs when they conduct peer reviews of other OIG audit operations.

# Appendix

## CROSS-REFERENCE TO REPORTING REQUIREMENTS OF THE INSPECTOR GENERAL ACT

The table below cross-references the reporting requirements prescribed by the Inspector General Act of 1978, as amended, to the specific pages in the report where they are addressed.

<b>Inspector General Act Reference</b>	<b>Reporting Requirements</b>	<b>Page</b>
Section 4(a)(2)	Review of legislation and regulations.	21
Section 5(a)(1)	Significant problems, abuses, and deficiencies.	5-13, 17-19
Section 5(a)(2)	Recommendations with respect to significant problems, abuses, and deficiencies.	5-13, 17-19
Section 5(a)(3)	Prior significant recommendations on which corrective action has not been completed.	27-29
Section 5(a)(4)	Matters referred to prosecutorial authorities.	17-19
Section 5(a)(5)	Summary of instances in which information was refused.	14
Section 5(a)(6)	List of audit reports by subject matter, showing dollar value of questioned costs and recommendations that funds be put to better use.	24
Section 5(a)(7)	Summary of each particularly significant report.	5-13, 17-19
Section 5(a)(8)	Statistical table showing number of reports and dollar value of questioned costs.	25
Section 5(a)(9)	Statistical table showing number of reports and dollar value of recommendations that funds be put to better use.	26
Section 5(a)(10)	Summary of each audit issued before this reporting period for which no management decision was made by end of reporting period.	None
Section 5(a)(11)	Significant revised management decisions.	None
Section 5(a)(12)	Significant management decisions with which the Inspector General disagrees.	15

### INSPECTOR GENERAL AUDIT REPORTS\*

For the Six-Month Period Ending September 30, 2004

Report Number	Report Title	Date Issued	Dollar Value of Questioned Costs	Dollar Value of Better-Used Funds	Dollar Value of Unsupported Costs
<b>Evaluations</b>					
2004-8/32112	Semiannual Report on Audit Follow-up	04/09/2004	-0-	-0-	-0-
2004-9/23178	Evaluation of the Field Benefits Administration Concept	04/30/2004	-0-	-0-	-0-
2004-11/32113	Semiannual Listing of Audit Recommendations	07/30/2004	-0-	-0-	-0-
2004-13/23184-1	Peer Review of the Peace Corps Office of Inspector General	09/30/2004	-0-	-0-	-0-

\*This statistical information is required by section 5(a)(6) of the Inspector General Act of 1978, as amended.

## REPORTS ISSUED WITH QUESTIONED COSTS\*

For the Six-Month Period Ending September 30, 2004

		Number of Reports	Questioned Costs	Unsupported Costs
A.	For which no management decision had been made by the commencement of the reporting period.	0	-0-	-0-
B.	Which were issued during the reporting period.	2**	\$1,251,019	\$752,812
	Subtotal (Add A. & B.)	0	\$1,251,019	\$752,812
C.	For which a management decision was made during the reporting period.	0	-0-	-0-
	(i) dollar value of disallowed costs	0	-0-	-0-
	(ii) dollar value of costs not disallowed	0	-0-	-0-
D.	For which no management decision had been made by the end of the reporting period.	2	\$1,251,019	\$752,812
E.	For which no management decision was made within six months of issuance.	0	-0-	-0-

\* This statistical information is required by Section 5(a)(8) of the Inspector General Act of 1978, as amended.

\*\* These reviews were conducted by PBGC's Contracts and Control Review Department (CCRD). CCRD is an internal management office that conducts reviews of PBGC contracts.

## REPORTS ISSUED WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE\*

For the Six-Month Period Ending September 30, 2004

	Number of Reports	Dollar Value
A. For which no management decision had been made by the commencement of the reporting period.	0	-0-
B. Which were issued during the reporting period.	0	-0-
Subtotal (Add A. & B.)	0	-0-
C. For which a management decision was made during the reporting period.	0	-0-
(i) dollar value of recommendations that were agreed to by management	0	-0-
– based on proposed management action	0	-0-
– based on proposed legislative action	0	-0-
(ii) dollar value of recommendations that were not agreed to by management	0	-0-
D. For which no management decision had been made by the end of the reporting period.	0	-0-
E. For which no management decision was made within six months of issuance.	0	-0-

\* This statistical information is required by section 5(a)(9) of the Inspector General Act of 1978, as amended.

## SIGNIFICANT OPEN RECOMMENDATIONS

For the Six-Month Period Ending September 30, 2004

### Material Weakness Recommendation

Report	Report Number	Date Issued	Recommendation Number	Recommendation
Audit of the Pension Benefit Guaranty Corporation's Fiscal Years 2003 and 2002 Financial Statements	2004-2/ 23176-2	01/15/04	IOD-214	When determining PBGC's best estimate of the Multiemployer program's liability for the present value of nonrecoverable future financial assistance, PBGC should use a model that considers market changes from the asset information date to PBGC's financial statement date.

### Reportable Condition Recommendations

Report	Report Number	Date Issued	Recommendation Number	Recommendation
Audit of the Pension Benefit Guaranty Corporation's Fiscal Years 1997 and 1996 Financial Statements	98-3/ 23126-2	03/23/98	FOD-268	Complete its efforts to integrate its financial management systems, in accordance with OMB Circular A-127 and its Five-Year Financial Management Systems Plan.
Audit of the Pension Benefit Guaranty Corporation's Fiscal Years 2001 and 2000 Financial Statements	2003-3/ 23168-2	01/30/03	CTO-5	Assign specific resources to complete the implementation of a fully functional and integrated enterprise-wide information security program, with priority given to implementation and monitoring of technical security standards.
Audit of the Pension Benefit Guaranty Corporation's Fiscal Years 2001 and 2000 Financial Statements	2003-3/ 23168-2	01/30/03	CTO-6	Develop enforcement mechanisms to ensure that all departments comply with the enterprise-wide information security program as well as consistently enforce policies and procedures for logical access to information resources that are based on the concepts of "least possible privilege."

<b>Report</b>	<b>Report Number</b>	<b>Date Issued</b>	<b>Recommendation Number</b>	<b>Recommendation</b>
Audit of the Pension Benefit Guaranty Corporation's Fiscal Years 2003 and 2002 Financial Statements	2004-2/ 23176-2	01/15/04	FOD-325	Address the matters noted above, and those raised by the OIG, to improve controls surrounding: <ul style="list-style-type: none"> <li>• Completeness of universe of benefit plans required to make premium payments;</li> <li>• Accuracy of reporting by plan sponsors of participant and plan data;</li> <li>• Follow-up with plans with under or over payments, or that failed to file;</li> <li>• Premiums system data quality; and</li> <li>• Premium estimation techniques.</li> </ul>
Audit of the Pension Benefit Guaranty Corporation's Fiscal Years 2003 and 2002 Financial Statements	2004-2/ 23176-2	01/15/04	FOD-326	In addition, develop a comprehensive procedures manual for processing and estimating premiums.
Audit of the Pension Benefit Guaranty Corporation's Fiscal Years 2001 and 2000 Financial Statements	2003-3/ 23168-2	01/30/03	CFND-5	Implement independent review procedures of unfunded benefit liability calculations for contingent liabilities.
Audit of the Pension Benefit Guaranty Corporation's Fiscal Years 2003 and 2002 Financial Statements	2004-2/ 23176-2	01/15/04	CFND-8	Continue to review and promote compliance with procedures surrounding the classification of plans to ensure accuracy of plan classification.
Audit of the Pension Benefit Guaranty Corporation's Fiscal Years 2003 and 2002 Financial Statements	2004-2/ 23176-2	01/15/04	FOD-327	Reevaluate the methods by which PBGC calculates its reserves. Management should consider: <ul style="list-style-type: none"> <li>• Types of risk and changes in exposure</li> <li>• Clearly defining the purpose of the reserves</li> <li>• Gathering meaningful data</li> <li>• Using sound actuarial methods</li> </ul>
Audit of the Pension Benefit Guaranty Corporation's Fiscal Years 2003 and 2002 Financial Statements	2004-2/ 23176-2	01/15/04	FOD-328	Retrospectively review the effectiveness of the reserve process each year, and utilize the knowledge and resources of other departments, including the actuarial staff.

## AUDIT RECOMMENDATIONS OPEN MORE THAN 24 MONTHS

For the Six-Month Period Ending September 30, 2004

Report	Report Number	Date Issued	Recommendation Number	Recommendation
Improvements Are Needed To Achieve Better Efficiency And Effectiveness In PBGC's Benefit Determination Process	99-2/ 23128-1	03/02/99	IOD-168	Enforce compliance with time accounting requirements established in IOD's Procedures Manual.
Fiscal Year 1998 Financial Statement Audit- Management Report	99-8/ 23132-3	09/23/99	FOD-274	Enhance financial reporting controls surrounding Premium Accounting System to improve the system's ability to accurately track premiums receivable on a plan basis.
Fiscal Year 1998 Financial Statement Audit- Management Report	99-8/ 23132-3	09/23/99	FOD-275	Analyze the existing year-end processes surrounding Premium Accounting System and identify improvements that will reduce the necessity of manual adjustments, validity testing, and reclassifications at year-end.
Fiscal Year 1998 Financial Statement Audit- Management Report	99-8/ 23132-3	09/23/99	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.
Fiscal Year 2001 Financial Statement Audit- Management Letter	2002-6/ 23157-5	08/29/02	IOD-210	For cases with data sources more than five years old, implement a procedure to determine whether 1) an updated data source would provide a more accurate estimate of the non-recoverable future financial assistance liability and 2) a valuation is available or can be completed without a significant burden on resources.
Fiscal Year 2001 Financial Statement Audit- Management Letter	2002-6/ 23157-5	08/29/02	IRMD-132	Develop and document policies and procedures for the performance of periodic re-certifications of PBGC systems' user accounts.
Fiscal Year 2001 Financial Statement Audit- Management Letter	2002-6/ 23157-5	08/29/02	IRMD-133	Implement periodic re-certifications of PBGC systems' user accounts.

# Glossary

## **Questioned Cost**

A cost the OIG has questioned because of an alleged violation of law, regulations, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; because such cost is not supported by adequate documentation; or because the expenditure of funds for the intended purpose is unnecessary or unreasonable.

## **Unsupported Cost**

A cost the OIG has questioned because of a lack of adequate documentation at the time of the audit.

## **Disallowed Cost**

A questioned cost that management, in a management decision, has sustained or agreed should not be charged to the government.

## **Funds to Be Put to Better Use**

Funds the OIG has identified in an audit recommendation that could be used more efficiently by reducing outlays, deobligating program or operational funds, avoiding unnecessary expenditures, or taking other efficiency measures.

## **Management Decision**

Management's evaluation of audit findings and recommendations and issuance of a final decision concerning management's response to such findings and recommendations.

## **Final Action**

The completion of all management actions described in a management decision with respect to audit findings and recommendations. If management concluded that no actions were necessary, final action occurs when a management decision is issued.

## **Misconduct**

Action of employees or contractors that violates laws, rules, or regulations and for which corrective action is warranted.

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

**You can telephone:**

**The Inspector General's HOTLINE  
1-800-303-9737**

**For deaf or hard of hearing people, dial FRS (800)-877-8339 and give the Hotline number to the agent.**

**Or you can write:**

**Pension Benefit Guaranty Corporation  
Office of Inspector General  
P.O. Box 34177  
Washington, D.C. 20043-4177**