

PENSION BENEFIT GUARANTY CORPORATION

**SEMIANNUAL REPORT
TO THE CONGRESS**



OFFICE OF INSPECTOR GENERAL

OCTOBER 1, 1999 - MARCH 31, 2000

Office of Inspector General

May 1, 2000

The Honorable Alexis Herman
Chairman, PBGC Board of Directors

It is my pleasure to submit this twenty-second semiannual report to the Congress. This report summarizes the major activities and accomplishments of the Office of Inspector General (OIG) for the six-month period ending March 31, 2000. Our accomplishments were made possible by the dedicated efforts of a committed and professional staff.

Our work this reporting period has resulted in significant operational benefit to PBGC. Our efforts were directed to increased economy, efficiency, and quality of PBGC's operations and combating actual or potential occurrences of waste, fraud, and misuse of Government funds. My office issued eleven (11) reports in the audit area, including the audit of PBGC's financial statements for 1999 and 1998, and a follow-up report concerning the timeliness of PBGC's issuance of initial determination letters. Of particular significance are two reports we issued concerning computer security.

In the investigative area, we opened twenty-six (26) and closed twenty-one (21) investigations. Of the investigations we closed this period, four (4) cases involved pension fraud, resulting in two (2) criminal convictions and restitution orders of more than \$47,000, and two voluntary restitutions in lieu of prosecution of more than \$21,000. Another significant case involved an employee's actions on behalf of a family member in pursuing a pension benefit, in violation of 18 U.S.C. § 205.

The results achieved by the OIG were enhanced by the support of PBGC's Executive Director, managers, employees, and the Congress. I look forward to continuing the productive professional working relationship as we strive to maintain the highest levels of integrity and quality in the Corporation's programs and operations, and helping PBGC meet its important challenges.

Sincerely,

Wayne Robert Poll
Inspector General

Enclosure

EXECUTIVE SUMMARY

This is the twenty-second semiannual report to the Congress summarizing the activities and accomplishments of the Pension Benefit Guaranty Corporation (PBGC) Office of Inspector General (OIG) for the period October 1, 1999 through March 31, 2000. Our efforts were directed toward performing audits, inspections, and evaluations of the Corporation's programs and operations, conducting several large and complex investigations, and providing technical assistance and advice on Corporate programs.

In the audit area, we issued eleven (11) reports, including:

- ◆ *audit of PBGC's FY 1999 financial statements, which resulted in unqualified opinions with respect to the financial statements and management's assertion concerning the operation of financial management controls (with four reportable conditions), and a report on PBGC's compliance with laws and regulations (see page 2);*
- ◆ *a follow-up report on the length of time it has taken PBGC to issue initial determination letters (see page 3); and*
- ◆ *two evaluations of PBGC's computer security, which included penetration testing of computer networks (see pages 3 and 4).*

In the investigative area, we opened twenty-six (26) new investigative cases during the reporting period, and closed twenty-one (21) cases. Of significance during this period:

- ◆ *four (4) cases involving pension fraud, that resulted in two (2) criminal convictions and restitution orders of more than \$47,000, and two voluntary restitutions in lieu of prosecution of more than \$21,000 (see page 10); and*
- ◆ *an employee's took actions on behalf of a family member in pursuing a pension benefit in violation of 18 U.S.C. § 205 (see page 10).*

TABLE OF CONTENTS

LETTER TO THE CHAIRMAN	
EXECUTIVE SUMMARY	i
TABLE OF CONTENTS	ii
LIST OF TABLES	iii
INTRODUCTION	1
The Pension Benefit Guaranty Corporation The Office of Inspector General	
AUDIT ACTIVITIES	2
Overview	
Audits and Evaluations	
Audit Follow-up and Resolution	
Access to Information	
PBG Management - Inspector General Disagreements	
INVESTIGATORY ACTIVITIES	9
Overview	
Activity This Period	
Significant Investigations	
OTHER OFFICE OF INSPECTOR GENERAL ACTIVITIES	12
Review of Proposed Statutory and Regulatory Changes	
Consultation With Congress	
OIG and Agency Consultation	
Liaison With the United States General Accounting Office	
GLOSSARY	14

LIST OF TABLES

<i>TABLE 1 - INSPECTOR GENERAL ISSUED REPORTS</i>	<i>6</i>
<i>TABLE 2 - REPORTS ISSUED WITH QUESTIONED COSTS</i>	<i>7</i>
<i>TABLE 3 - REPORTS ISSUED WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE</i>	<i>8</i>
<i>TABLE 4 - STATISTICAL TABLES OF INVESTIGATIONS</i>	<i>11</i>
<i>TABLE 5 - CROSS-REFERENCE TO REPORTING REQUIREMENTS OF THE INSPECTOR GENERAL ACT</i>	<i>13</i>

INTRODUCTION

THE PENSION BENEFIT GUARANTY CORPORATION

The Pension Benefit Guaranty Corporation (PBGC) 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 43 million Americans, the PBGC provides assurance that their retirement benefits are safe now and for the future. The 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 by unions. Currently, there are approximately 215,000 participants receiving benefit payments from PBGC. Additionally, in its fiscal year 1999 Financial Statement, the PBGC reported that it has assets of about \$19.1 billion and liabilities of \$11.9 billion.

THE OFFICE OF INSPECTOR GENERAL

One of the strategic goals of the OIG is to assist the PBGC in operating more efficiently and effectively by identifying ways to improve the PBGC's programs. To accomplish this goal, the OIG conducts agency audits, inspections, and investigations, and makes recommendations to PBGC management. In addition, the OIG is required statutorily to inform the agency head of fraud and other serious problems, abuses, and deficiencies relating to the programs and operations administered or financed by the PBGC, recommend corrective action concerning such problems, and report on the progress made in implementing corrective actions.

The OIG staff consists of twelve (12) employees, of which two are investigators. We continue to accomplish our investigative program through the use of contract investigators, though this is limiting because conducting criminal investigations is an inherently governmental function. We have been given a position to hire an EDP auditor, which we anticipate posting soon.

The Chief Financial Officers Act (CFO Act) requires that a government corporation's financial statements be audited by the Inspector General, unless preempted by GAO. The OIG contracted for an Independent Public Accountant (IPA) to perform the audit of the Corporation's FY 1999 financial statements.

AUDIT ACTIVITIES

OVERVIEW

The OIG provides independent analyses to management on a full range of PBGC's operations including programs, activities, functions, and funds. The OIG has full discretion in establishing audit objectives, plans, and priorities. During this reporting period, the OIG issued eleven (11) reports (see TABLE 1) to help PBGC reduce costs and strengthen management controls. Below is a summary of those reports. Our audits comply with the United States General Accounting Office's *Government Auditing Standards*, while the inspections comply with quality standards for inspections published by the President's Council on Integrity and Efficiency.

AUDITS AND EVALUATIONS

AUDIT OF THE PENSION BENEFIT GUARANTY CORPORATION'S FISCAL YEARS 1999 AND 1998 FINANCIAL STATEMENTS (2000-6/23138-1 and 2000-7/23138-2)

The OIG engaged PricewaterhouseCoopers, LLP (PricewaterhouseCoopers) to conduct an audit of PBGC's financial statements of the Single-Employer Program Fund and the Multiemployer Program Fund for the fiscal years (FY) ended September 30, 1999 and September 30, 1998. The audit was performed under the direction and general supervision of the OIG and resulted in three reports.

- An unqualified opinion report was issued on the financial statements which opines that the financial statements fairly present, in all material respects: (1) the financial position of the Single-Employer and Multiemployer Program Funds as of September 30, 1999 and 1998, and (2) the results of their operations and cash flows for the years then ended in conformity with generally accepted accounting principles.
- The report on internal control notes four reportable conditions, three of which have been reported in prior semiannual reports. They are, PBGC's need to: (1) integrate its financial management systems and improve its systems development life cycle methodology; (2) finalize and test its plan for maintaining continuity of operations; and, (3) further improve controls surrounding the Participant Record Information System Management (PRISM) application. The fourth reportable condition addresses the need for PBGC to strengthen controls to protect its information. Specifically, PBGC's automated system environment is threatened by weaknesses in several components of its information protection control structure.
- The report on compliance with applicable laws and regulations indicates that, with respect to items tested, no instance of non-compliance were disclosed.

The OIG issued a report with these three opinions (2000-7/23138-2). In addition, the OIG issued a single page report that PBGC incorporated into its FY 1999 Annual Report (2000-6/23138-1).

**UPDATE ON THE LENGTH OF TIME IT HAS
TAKEN PBGC TO ISSUE INITIAL
DETERMINATION LETTERS
(2000-4/23140-1)**

The OIG had previously conducted a multi-year review of how long it had taken PBGC to issue initial determination letters (IDLs) to participants and issued a report, *The Length Of Time It Has Taken PBGC To Issue Initial Determination Letters*, OIG Report 99-3/23128-2 (March 2, 1999). An IDL informs a pension plan participant, who is to receive a payment from PBGC, the conditions of his benefit entitlement. Our review analyzed IDLs issued between 1974 and 1996. Although PBGC generally agreed with the report's findings, they did not agree that the results fairly portrayed the status of current operations.

At the conclusion of that report, we stated that we would continue to monitor PBGC's progress on the timely issuance of IDLs. As a result, we conducted follow-on evaluation work to review IDLs issued from October 1, 1993 through September 30, 1999 (FYs 1994-1999), including addressing issues raised in our prior report.

Our review found that PBGC significantly improved in the length of time to issue an IDL after the actuarial valuation process is completed. In our previous report (OIG Report 99-3/23128-2), we found that only 39% of the IDLs were issued within one year of the AVCD. During FY 1999, we noted that approximately 86% of IDLs were issued within a comparable one-year period.

However, our review also revealed that PBGC continues to issue approximately one-half of the IDLs more than seven years after the DOTR. In FY 1998, 51.9% of IDLs were issued more than seven years after DOTR, and in FY 1999, 49.1%. In addition, our analysis did confirm PBGC's representation that the "average age" of IDLs issued after DOTR was 5.39 years in FY 1998 and 5.7 years in FY 1999. We did note that PBGC use of a standard averaging method tends to mask the number of IDLs that take longer to process.

**SUMMARY OF PENETRATION TESTING 1999
(2000-3/23137-3)**

The OIG engaged PricewaterhouseCoopers to conduct a review of network security measures at PBGC. The PricewaterhouseCoopers team conducted testing activities focused on components of the PBGC network security environment to identify vulnerabilities and develop recommendations for corrective actions. Testing revealed that PBGC does not have an effective Information Systems Security Architecture, an enterprise-wide program that defines and enforces security strategy, management, policy, guidelines, standards, and user education. The absence of this type architecture leaves PBGC systems vulnerable to malicious external and internal attack. We also produced a detailed report for PBGC officials responsible for development of a corrective action plan (OIG Report 2000-1/23137-1). Because this report contains sensitive data its release is restricted.

**SUMMARY OF THE SECURITY REVIEW 1999
(2000-2/23137-2)**

The OIG engaged PricewaterhouseCoopers Technology Risk Services group to conduct a review of network security measures at PBGC. The PricewaterhouseCoopers team conducted a series of security reviews and tests of key components of the PBGC information technology environment, identified potential vulnerabilities, and recommended improvements. We also produced a detailed report for PBGC officials responsible for development of a corrective action plan (OIG Report 2000-11/23137-5). Because this report contains sensitive data its release is restricted.

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES
(2000-10/23138-4)**

The General Accounting Office (GAO) requested that the OIG perform specific procedures enumerated by the U.S. Treasury and related to PBGC's submission of its Federal Agencies Centralized Trial-Balance System (FACTS) transmission, which included the Adjusted Trial Balance for the revolving and trust funds and selected footnote data. These procedures are performed to assist in the preparation of the consolidated United States Government financial statements for the year ended September 30, 1999.

AUDIT FOLLOW-UP AND RESOLUTION

The audit follow-up system at PBGC is integral to effective management and is a shared responsibility of PBGC management and the OIG. The OIG has established an audit follow-up system to document management's actions and assure prompt resolution of audit recommendations. Moreover, this OIG system provides for a record of actions taken by PBGC management on OIG and GAO recommendations.

The Office of Management and Budget (OMB) Circular A-50 requires that audit recommendations be resolved within six (6) months of issuance. The OMB guidance provides that audit recommendations are resolved when Agency management and the OIG reach agreement on firm plans of action to correct reported weaknesses. Resolution, however, does not mean an audit recommendation is closed. The OIG closes audit recommendations only when corrective actions have been completed by the Agency.

The OIG issued the *Semiannual Listing of Audit Recommendations* (OIG Report 2000-5/32095) which contained eighty-five (85) audit recommendations of which sixty-three (63) were outstanding audit recommendations from the prior reporting period. Of these open audit recommendations, the OIG's *Semiannual Report on Follow-up of Audit Recommendations* (OIG Report 2000-13/32096) reported seventeen (17) audit recommendations that agency management represented as closed and in which the OIG concurred. Sixty-eight (68) audit recommendations remained open on March 31, 2000.

ACCESS TO INFORMATION

Under the 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.

PBGC MANAGEMENT - INSPECTOR GENERAL DISAGREEMENTS

Semiannually, the OIG must report the status of all unresolved audit reports that are more than six months old to the Agency Head. These reports include: (1) reason(s) for unresolved reports and a timetable for their resolution; (2) actions taken or proposed on all unresolved reports or recommendations; and (3) age of unresolved recommendations. For this reporting period, there were no unresolved audit reports in which PBGC management decisions are pending.

However, PBGC disagreed with a recommendation contained in the *Fiscal Year 1998 Financial Statement - Management Letter* (99-8/23132-3). PBGC management commented on the Report and concurred "with its recommendations except for one item." PBGC disagreed with a recommendation which states that PBGC should "modify existing Insurance Operations Department (IOD) procedures to require retention of source documentation generated as a result of the participant data audits and used to calculate benefit payments and value the PVFB [Present Value of Future Benefits] liability."

In their response, PBGC stated that current IOD procedures indeed “require that source documentation is to be maintained to support participant data audits, the calculation of benefit payments, and the valuation of the Present Value of Future Benefits (PVFB) liability.” However, we found that the IOD Manual Section 12.5, “Perform Source Documentation Audit,” clearly instructs IOD personnel to retain source documentation obtained from prior sponsors of terminated plans only for a sample of participants, rather than for all participants. This documentation consists of several sample files for each category of participants and is used to analyze the data gathered in the field. IOD’s collection and retention of only a sample of participant data may not be adequate in the future to provide a proper audit trail to support benefit calculations and the PVFB liability.

The OIG feels strongly that in order for PBGC to adequately manage its program and to ensure the proper calculation of each participant’s guaranteed benefit, it is imperative that supporting documentation for all critical data elements be maintained. In addition, except for the aforementioned reference, the IOD Manual emphasizes and encourages the completeness of the participants’ files.

During this reporting period, the OIG met with PBGC management in order to resolve our disagreement. In addition, the OIG is analyzing what data elements are critical to calculating guaranteed benefits and therefore require the maintenance of supporting documentation. We will provide PBGC management with our report. We will continue to meet with PBGC management in order to resolve our disagreement.

TABLE 1

**INSPECTOR GENERAL ISSUED REPORTS
For The Six-month Period Ending
MARCH 31, 2000**

REPORT NUMBER	REPORT TITLE	DATE ISSUED	DOLLAR VALUE OF QUESTIONED COSTS	DOLLAR VALUE OF BETTER USED FUNDS	DOLLAR VALUE OF UNSUPPORTED COSTS
Audits					
2000-6/ 23138-1	Audit of the Pension Benefit Guaranty Corporation's Fiscal Years 1999 and 1998 Financial Statements (Single Page Report)	2/23/00	-0-	-0-	-0-
2000-7/ 23138-2	Audit of the Pension Benefit Guaranty Corporation's Fiscal Years 1999 and 1998 Financial Statements	3/31/00	-0-	-0-	-0-
Evaluations					
2000-1/ 23137-1	Penetration Study - 1999 (Restricted)	10/8/99	-0-	-0-	-0-
2000-2/ 23137-2	Summary of Security Review 1999	3/31/00	-0-	-0-	-0-
2000-3/ 23137-3	Summary of Penetration Testing 1999	12/8/99	-0-	-0-	-0-
2000-4/ 23140-1	Update on The Length of Time it Has Taken PBGC to Issue Initial Determination Letters	3/31/00	-0-	-0-	-0-
2000-5/ 32095	Semiannual Listing of Audit Recommendations	1/31/00	-0-	-0-	-0-
2000-10/ 23138-4	Independent Accountant's Report on Applying Agreed-Upon Procedures	3/3/00	-0-	-0-	-0-
2000-11/ 23137-5	Security Review 1999 (Restricted)	3/31/00	-0-	-0-	-0-
2000-12/ 23144	PBGC's Procurement Process Memorandum (Restricted)	3/30/00	-0-	-0-	-0-
2000-13/ 32096	Semiannual Report on Follow-up on Audit Recommendations	3/31/00	-0-	-0-	-0-

TABLE 2 *
REPORTS ISSUED WITH QUESTIONED COSTS
For The Six-month Period Ending
MARCH 31, 2000

	NUMBER OF REPORTS	QUESTIONED COSTS	UNSUPPORTED COSTS
A. For which no management decision has been made by the commencement of the reporting period	0	-0-	-0-
B. Which were issued during the reporting period	0	-0-	-0-
Subtotal (Add A & B)	0	-0-	-0-
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 has been made by the end of the reporting period	0	-0-	-0-
E. Reports for which no management decision was made within six months of issuance	0	-0-	-0-

* This statistical information is required by the Inspector General Act of 1978, as amended.

TABLE 3 *

**REPORTS ISSUED WITH RECOMMENDATIONS
THAT FUNDS BE PUT TO BETTER USE
For The Six-month Period Ending
MARCH 31, 2000**

	NUMBER OF REPORTS	DOLLAR VALUE
A. For which no management decision has 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 has been made by the end of the reporting period	0	-0-
Reports for which no management decision was made within six months of issuance	0	-0-

* This statistical information is required by the Inspector General Act of 1978, as amended.

INVESTIGATORY ACTIVITIES

OVERVIEW

The Inspector General is authorized 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 has a policy to protect the legal rights of whistleblowers and complainants. At all times, the Inspector General takes reasonable precautions not to disclose the identity of the complainant without that person's consent.

When we receive an allegation, we review it to determine its sensitivity and need for immediate OIG investigation, whether it has a lower priority, or whether it can be referred to the agency for review and corrective action. Allegations designated as priority receive immediate attention. Generally, these investigations use more time and resources, often requiring a team approach. To meet these challenges, the OIG has undertaken many strategies to responsibly investigate allegations that are brought to us, including hiring former federal investigators as contractors. Even with these additional contract resources, we have had to cease investigation activities and close some cases administratively. Though we have systematically reduced our investigative caseload, our limited investigative staff causes an inability to investigate allegations timely, which is unacceptable to us.

ACTIVITY THIS PERIOD

The OIG received _ complaints or allegations, and closed _ investigative cases during the reporting period. As of March 31, 2000, _ cases remain open (see Table 4 for investigative program statistics).

OIG HOTLINE

The OIG operates a separate "1-800" hotline telephone number and a post office box. The Hotline telephone is answered by an investigative staff assistant for a two-hour period, Monday through Friday; at all other times there is a message that provides information about the Hotline service.

For the period October 1, 1999 through March 31, 2000, we received a total of _ Hotline inquiries. ___ of the ___ contacts were first-time inquiries relating to pension benefit questions, which were referred to the agency for action. The sixth contact we were able to answer their question. We did not open any cases from our Hotline contacts this period.

SIGNIFICANT INVESTIGATIONS

PENSION FRAUD CASES PROSECUTED

During this period, we closed four investigations that involved fraudulent receipt of pension benefit payments issued by PBGC: two by criminal prosecution under of 18 U.S.C. § 641, theft of government property, and two with voluntary payments in lieu of prosecution. In the first case, a participant who altered his birth certificate to receive a pension benefit 10 years before he was entitled was sentenced in the Western District of Louisiana to six months in jail, and ordered to pay full restitution of \$36,855 to PBGC, a \$2,000 fine and a \$100 court assessment. In the second case, a man who took actions to receive his deceased father's pension benefit was sentenced in the Western District of Pennsylvania to three years Federal probation, four months home detention with electronic monitoring, and ordered to pay full restitution of \$11,109 to PBGC, and a \$100.00 court assessment.

In two other cases, individuals who fraudulently received pension benefits agreed to restitution in lieu of prosecution. A deceased participant's daughter paid full restitution of \$15,316.59 directly to PBGC to avoid criminal charges after the U.S. Attorney had authorized Federal criminal prosecution in the Southern District of Ohio. In another case, upon being contacted for an investigative interview, a deceased participant's "adopted son" agreed to repay \$6,716.08 and entered into a repayment agreement with PBGC.

CONFLICT OF INTEREST

The OIG conducted an investigation into whether a PBGC employee violated 18 U.S.C. § 205 by involving themselves in a relative's pension benefit matter, and thus, acting as an agent on the family member's behalf against the United States Government. The facts showed that, subsequent to PBGC's decision to deny a spousal benefit to the family member, the employee initiated multiple contacts within PBGC concerning the family member's benefit entitlement. Many of these contacts were with lower-graded employees. Based on the evidence and interviews, we concluded that the employee's actions constituted a violation of § 205 by acting as an agent on behalf of the family member in a covered matter in which the United States was a party or had a direct and substantial interest. The employee's conduct also violated ethics regulations. This case matter was referred for possible criminal prosecution to the U.S. Attorney's Office for the District of Columbia, who concurred with the findings but declined prosecution in lieu of appropriate administrative remedies. The OIG issued a report to management for a determination on disciplinary action. In consideration of the employee's unblemished work record, the employee was given a written reprimand which concurred with the OIG's findings.

TABLE 4

**STATISTICAL TABLES OF INVESTIGATIONS
For The Six-month Period Ending
MARCH 31, 2000**

CASE LOAD

Pending beginning of period	48
Opened this period**	26
Closed this period	21
Pending end of period ***	53

WRONGDOING ALLEGED (CASES OPENED)

Fraud, Waste & Abuse	4
Wrong Doing	7
Theft	0
Improprieties Relating to Pension Benefits	15
Proactive	0

RESULTS OF CASES CLOSED

Allegation disproved or not substantiated	8
Referred to agency for corrective action	3
Referred to other law enforcement agency	2
Prosecutions & Civil Settlements	4
Monetary recoveries \$69,997	
Prosecution declined; referred to agency for disciplinary action	1
Administrative Closings	3

HOTLINE AND MAIL INQUIRIES

Received this period	6
First time caller referrals to agency	5
Mail referrals to agency	0
OIG Customer Assistance	1
Cases opened	0

** Of the twenty-six new cases opened this period, none resulted from Hotline and mail inquiries.

*** Thirty of the fifty-three investigative cases that are open are from prior reporting periods.

OTHER OFFICE OF INSPECTOR GENERAL ACTIVITIES

REVIEW OF PROPOSED STATUTORY AND REGULATORY CHANGES

To comply with the IG Act, the OIG Legal Counsel is notified by the Office of the General Counsel when the agency is proposing legislative and regulatory changes. During this period, PBGC did not propose any regulations or statutes. As part of the OIG community, we provided periodic comments on proposed bills currently before Congress.

CONSULTATION WITH CONGRESS

The OIG continued to meet with the Senate Special Committee on Aging and the Senate Small Business Committee to answer questions about agency operations. Until the close of FY99, we also provided a monthly status to Congress on the agency's Y2K efforts.

OIG AND AGENCY CONSULTATION

The OIG engaged in several activities this period that included coordination and consultation with agency officials to improve agency operations.

- A potential procurement fraud was brought to our attention by PBGC for consideration of initiating an audit or investigation. Upon our review, we determined that the OIG would open neither. However, we provided the Chief Management Officer with an executive advisory memorandum discussing continuing weaknesses found in PBGC's procurement process that were similar to weaknesses discussed in earlier PBGC and OIG reports (2000-12/23144).
- We worked with a PBGC department to reinforce their referrals to the OIG of fraudulent pension payments. This included reviewing their revised written policy and procedures, establishing standards for referrals including required documentation, and engaging in on-going dialog.

LIAISON WITH THE UNITED STATES GENERAL ACCOUNTING OFFICE

The OIG maintains close liaison with GAO. Listed below are the GAO on-going review efforts at PBGC as of March 31, 2000.

- Review of PBGC's use of contract staff to carry out its responsibilities and the processes associated with the selection and oversight of such staff.
- Study of Cash Balance Plans

TABLE 5

**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.

Inspector General Act Reference	Reporting Requirements	Page
Section 4 (a) (2)	Review of legislation and regulations.	12
Section 5 (a) (1)	Significant problems, abuses, and deficiencies.	2 – 4, 10
Section 5 (a) (2)	Recommendations with respect to significant problems, abuses, and deficiencies.	2 – 4, 10
Section 5 (a) (3)	Prior significant recommendations on which corrective actions has not been completed.	5
Section 5 (a) (4)	Matters referred to prosecutive authorities.	11
Section 5 (a) (5)	Summary of instances where information was refused.	5
Section 5 (a) (6)	List of audit reports by subject matter, showing dollar value of questioned costs and funds put to better use.	6
Section 5 (a) (7)	Summary of each particularly significant report.	2 – 4, 10
Section 5 (a) (8)	Statistical table showing number of reports and dollar value of questioned costs.	7
Section 5 (a) (9)	Statistical table showing number of reports and dollar value of recommendations that funds be put to better use.	8
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.	5

GLOSSARY

The following defines the terms used in this report.

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; such cost is not supported by adequate documentation; or 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 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 -- that are described in a management decision -- with respect to audit findings and recommendations. If management concluded no actions were necessary, final action occurs when a management decision is issued.
Misconduct	Action of employees or contractors that violates law, rules, or regulations 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

Or you can write:

**Pension Benefit Guaranty Corporation
Office of Inspector General
P.O. Box 34770
Washington, D.C. 20043-4770**