

PENSION BENEFIT GUARANTY CORPORATION

**SEMIANNUAL REPORT
TO THE CONGRESS**



OFFICE OF INSPECTOR GENERAL

OCTOBER 1, 2000 - MARCH 31, 2001



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

Office of Inspector General

April 30, 2001

The Honorable Elaine L. Chao
Chairman, PBGC Board of Directors

It is my pleasure to submit this twenty-fourth Semiannual Report to the Congress. This report summarizes the major activities and accomplishments of the Pension Benefit Guaranty Corporation (PBGC or Corporation) Office of Inspector General (OIG) for the six-month period ending March 31, 2001. 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 2000 and 1999; an evaluation of security for the Unix system that supports PBGC's Performance Accounting System; a review of the system controls for an automated participant records system (PRISM); and a test of the controls related to automated pension benefit payments. We are also reporting that the reportable condition related to computer systems security was removed from the Report on Internal Control in this year's financial statement audit.

In the investigative area, we opened nine (9) and closed twelve (12) investigations. Of the investigations we closed this period, the most significant cases include findings that: a former senior level employee engaged in multiple abuses relating to government travel, a contract employee was not removed in retaliation for whistleblowing, and a contracting officer's technical representative misused contractor employees. In addition, we closed two (2) cases involving pension fraud.

To accomplish our work, I seek to maintain productive professional working relationships with PBGC's Acting Executive Director, managers, employees, and the Congress. I look forward to continuing these relationships, as the OIG strives to maintain the highest levels of integrity and quality in the Corporation's programs and operations, and help PBGC meet its important challenges.

Sincerely,

A handwritten signature in cursive script that reads "Wayne Robert Poll".

Wayne Robert Poll
Inspector General

Enclosure

EXECUTIVE SUMMARY

This is the twenty-fourth 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, 2000 through March 31, 2001. 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:

- *Evaluation of the Unix security for PBGC's Performance Accounting System (see page 2);*
- *Evaluation of PBGC's Premium Compliance Program (see page 2);*
- *Review of the PRISM system controls (see page 3);*
- *Test of the controls related to automated pension benefit payments (see page 4);*
and
- *Audit of PBGC's Financial Statements (see pages 4 and 5).*

During the audit of PBGC's financial statements, the auditors determined that PBGC made significant progress on the reportable condition dealing with computer systems security, and this was removed from the Report on Internal Control (see page 5).

In the investigative area, we opened nine (9) new investigative cases during the reporting period and closed twelve (12) cases. Among the most significant cases closed this period we found:

- *A former senior-level employee engaged in travel abuse (see page 11);*
- *A contract employee's termination was not in retaliation for whistleblowing (see page 11); and*
- *A COTR was found to have acted unprofessionally with regard to contractor employees and used them for work not covered in the contract (see page 11).*

In addition, we continue to vigorously pursue cases of pension fraud. During this period, we closed two (2) fraud cases relating to receipt of pension benefits (see page 11).

During the period, we reviewed regulations that codify PBGC's policies concerning assessment and waiver of premium penalties, reported to Congress on PBGC's payment of water and sewer to the District of Columbia Government, and participated in several Corporate initiatives to improve PBGC.

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 PBGCC Management - Inspector General Disagreements	
INVESTIGATORY ACTIVITIES	10
Overview Activity This Period Significant Investigations	
OTHER OFFICE OF INSPECTOR GENERAL ACTIVITIES	13
Review of Proposed Statutory and Regulatory Changes Reports to Congress OIG and Agency Consultation Liaison With the United States General Accounting Office	
GLOSSARY	15

LIST OF TABLES

<i>TABLE 1 - INSPECTOR GENERAL ISSUED REPORTS</i>	<i>7</i>
<i>TABLE 2 - REPORTS ISSUED WITH QUESTIONED COSTS</i>	<i>8</i>
<i>TABLE 3 - REPORTS ISSUED WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE</i>	<i>9</i>
<i>TABLE 4 - STATISTICAL TABLES OF INVESTIGATIONS</i>	<i>12</i>
<i>TABLE 5 - CROSS-REFERENCE TO REPORTING REQUIREMENTS OF THE INSPECTOR GENERAL ACT</i>	<i>14</i>

INTRODUCTION

THE PENSION BENEFIT GUARANTY CORPORATION

The Pension Benefit Guaranty Corporation (PBGC or 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 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 226,700 participants receiving benefit payments from PBGC. Additionally, in its fiscal year 2000 financial statement, the PBGC reported that it has assets of about \$21.4 billion and liabilities of \$11.4 billion.

THE OFFICE OF INSPECTOR GENERAL

One of the strategic goals of the Office of Inspector General (OIG) is to assist the PBGC in operating more efficiently and effectively by identifying ways to improve 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. In addition, we are in the process of hiring an information technology auditor.

The Chief Financial Officers Act requires that a government corporation's financial statements be audited by the Inspector General, unless preempted by the General Accounting Office (GAO). The OIG contracted with an Independent Public Accountant (IPA) to perform the audit of the Corporation's FY 2000 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 funding. 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 the most significant of those reports. Our audits comply with GAO'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

EVALUATION OF UNIX SECURITY FOR PBGC'S PERFORMANCE ACCOUNTING SYSTEM (2001-1/23149-5)

The OIG contracted with a team from the Technology Risk Services practice of PricewaterhouseCoopers, LLP to perform a security review of the UNIX server that hosts the Corporation's Performance Accounting System. The review evaluated the security controls to determine whether only those with authorization had access to the sensitive information in the Performance Accounting System. A team specializing in UNIX technical controls conducted a risk-based review of the UNIX server. Since the report contains sensitive information, its release is restricted.

EVALUATION OF THE PREMIUM COMPLIANCE REVIEW PROGRAM (2001-2/23142)

ERISA requires plan sponsors of participating defined benefit pension plans to obtain insurance from PBGC to insure against pension plan failure. Pension plans calculate their premiums in accordance with PBGC instructions, file their forms, and pay their premiums by a specified due date. The Premium Compliance Review (PCR) program was established to audit pension plans' compliance with premium payment requirements. PBGC hires contractors to perform PCR work.

We reviewed contractor work for compliance with the PCR procedures, contract terms, and professional audit standards. We found that some contractors' work did not fully meet professional audit standards, was of poor quality, and in some instances was incomplete. We also found that some contractor employees did not meet the experience qualifications of the contract. We noted inconsistent contract monitoring contributed to the contractors' performance issues and may have resulted in excess contract costs.

Finally, we found PBGC continued to issue manually prepared Statements of Account (SOA). Once a PCR is completed, PBGC issues an SOA to the plan which

presents the premium calculation, interest, and penalties for late payments; deducts amounts already paid; and tabulates the amount due. This practice of issuing manual SOAs is not in compliance with PBGC's policy and adds significant risk to the safeguarding of assets.

**AGENCY COLLECTION OF CERTAIN
INFORMATION FROM INDIVIDUALS
(2001-5/23155)**

Under § 646 of the Treasury and General Government Appropriation Act of 2001 (enacted as part of the Consolidated Appropriations Act, 2001, Pub. L. 106-554), the OIG is required to report to Congress regarding PBGC's collection of certain personally identifying information from individuals, commonly called "cookies," who access its Internet site. We reviewed the PBGC website, conducted interviews, and obtained representations from management. We determined that:

- PBGC has not in the past collected or reviewed any singular data, or created any aggregate lists, that include personally identifiable information about individuals who accessed Internet sites operated by PBGC.
- PBGC has not in the past entered into any agreements with third parties, including other government agencies, to collect, review, or obtain aggregate lists or singular data containing personally identifiable information relating to any individual's access or viewing habits for governmental or nongovernmental Internet sites.
- PBGC is not currently collecting or reviewing any such data, creating any aggregate lists, or entering into agreements with third parties to do so, nor is PBGC planning to do so in the future.

**REVIEW OF PRISM SYSTEM CONTROL
STRUCTURE RECORDED IN TRANSACTION
FLOW NARRATIVES
(2001-6/23146-1)**

The OIG updated its understanding of the Participant Records Information Systems Management (PRISM) system. PRISM is an integrated information system developed to support PBGC's Insurance Operations Department (IOD) in administering pension plan customers. The PRISM system enhances the current IOD environment by automating previous manual efforts and replacing existing automated systems. PRISM also provides an automated interface to State Street Bank (SSB), which is the PBGC paying agent, by sending payment request information to SSB and retrieving actual payment information from SSB. The purpose of the review was to document the flow of transactions through PRISM and to identify and document controls in the benefit payment process. The OIG engaged an IPA to assist in our update.

We reviewed each application within PRISM and identified weaknesses and assessed the related risks. Based upon the information obtained through inquiries, observations, review of system documentation, and representations made by PBGC, we identified opportunities to enhance its current control and processing environment and made suggestions for improvement. Because this report contains sensitive data, its release is restricted.

**A TEST OF CONTROLS ASSOCIATED WITH
THE GENERATION OF BENEFIT PAYMENTS
(2001-7/23146-2)**

During FY 1999, we performed a network security penetration assessment (OIG Report 2000-3/23137-2) to determine the extent to which some could obtain unauthorized access to PBGC's systems through external or internal sources. Weaknesses in access controls over PBGC systems included the IPA's ability to gain administrator access to the PRISM system. In response to the reported findings, PBGC stated that the benefit payment process was not at risk because the controls within PRISM would prevent creation of unauthorized benefit payments.

To test PBGC's assertions, the OIG engaged an IPA and a technology expert to assist in evaluating the effectiveness of PRISM's controls surrounding benefit payments. The team developed specific and realistic scenarios that would test controls to determine whether unauthorized benefit payments could be made. The scenarios were tested in both OIG and PBGC computer test labs, and consisted of the following types of transactions:

- Diverting benefit payments to a controlled and unauthorized destination;
- Modifying benefit payment amounts;
- Adding unauthorized customers to an established plan;
- Changing a participant's benefit payment information in PRISM;
- Modifying files used to communicate with PBGC's paying agent; and
- Circumventing the authorization process.

Our PRISM evaluation identified system vulnerabilities and determined that certain types of unauthorized payments could be generated. We identified control weaknesses and suggested that PBGC enhance access controls by implementing formal auditing, monitoring, reviewing, and logging procedures for system actions impacting on benefit payments. In addition to the written report, we provided a live demonstration of the vulnerabilities.

Because this report contains sensitive information, its release is restricted.

**AUDIT OF THE PENSION BENEFIT
GUARANTY CORPORATION'S FISCAL YEARS
2000 AND 1999 FINANCIAL STATEMENTS
(2001-8/23149-1 and 2001-9/23149-2)**

The OIG engaged PricewaterhouseCoopers, LLP (PwC) 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, 2000 and September 30, 1999. 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 Program and Multiemployer

Program Funds as of September 30, 2000 and 1999, and (2) the results of their operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

- This year, one reportable condition dealing with computer systems security was removed from the report on internal control because PBGC made significant progress in this area. Three reportable conditions from prior semiannual periods remain. PBGC needs to: (1) integrate its financial management systems and improve its systems development life cycle methodology; (2) improve its plan for maintaining continuity of operations; and (3) further improve controls surrounding the PRISM application.
- The report on compliance with applicable laws and regulations indicates that, with respect to items tested, no instance of non-compliance was disclosed. However, one matter of emphasis was noted which the Office of Inspector General believes requires further review.

The OIG issued a report with these three opinions (OIG Report 2001-9/23149-2). In addition, the OIG issued a single page report that PBGC incorporated into its FY 2000 Annual Report (OIG Report 2001-8/23149-1).

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES FOR FACTS DATA (2001-11/23149-3)

GAO requested that the OIG perform specific procedures enumerated by the U.S. Treasury related to PBGC's submission of its Federal Agencies Centralized Trial-Balance Systems (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, 2000.

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.

In our *Semiannual Listing of Audit Recommendations* (OIG Report 2001-3/32099) we reported that there were one hundred (100) open audit recommendations, of which seventy-eight (78) were outstanding audit recommendations from prior reporting periods. From the agency's review and reporting to the OIG,

management represented that appropriate action had been taken to close thirty-seven (37) audit recommendations, and the OIG concurred. We reported that sixty-three (63) audit recommendations remained open on March 31, 2001 (*Semiannual Report on Follow-up of Audit Recommendations*, OIG Report 2001-12/32100).

ACCESS TO INFORMATION

Under the Inspectors 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.

PBGC MANAGEMENT - INSPECTOR GENERAL DISAGREEMENTS

Semiannually, the OIG reports on the status of all unresolved audit reports that are more than six months old. 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, in a prior period, 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."

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 collected and retained. During this reporting period, PBGC sought and received permission from the National Archives and Records Administration to destroy paper copies of source documentation from participants and plan sponsors that is imaged in the Imaged Processing System (IPS). The OIG has noted its concern about this destruction of paper records.

The OIG is finalizing a report on its analysis of the data elements that are necessary to calculate guaranteed benefits and, thus, require supporting source documentation. This analysis is now impacted by management's decision to destroy source documentation and rely on IPS. We will provide PBGC management with our analysis when it is complete. We will continue to work with PBGC management to resolve this disagreement.

TABLE 1

**INSPECTOR GENERAL ISSUED REPORTS
For The Six-month Period Ending
MARCH 31, 2001**

REPORT NUMBER	REPORT TITLE	DATE ISSUED	DOLLAR VALUE OF QUESTIONED COSTS	DOLLAR VALUE OF BETTER USED FUNDS	DOLLAR VALUE OF UNSUPPORTED COSTS
Audits					
2001-8/ 23149-1	Audit of Pension Benefit Guaranty Corporation Fiscal Years 2000 and 1999 (Single Page Report)	3/6/01	-0-	-0-	-0-
2001-9/ 23149-2	Audit of Pension Benefit Guaranty Corporation Fiscal Years 2000 and 1999	3/29/01	-0-	-0-	-0-
Evaluations					
2001-1/ 23149-5	Evaluation of UNIX Security for PBGC's Performance Accounting System	3/9/01	-0-	-0-	-0-
2001-2/ 23142	Evaluation of the Premium Compliance Review Program	1/24/01	-0-	-0-	-0-
2001-3/ 32099	Semiannual Listing of Audit Recommendations	1/31/01	-0-	-0-	-0-
2001-4	Inspector General's Report of Water/Sewer Payments to the DC Water and Sewer Authority	1/31/01	-0-	-0-	-0-
2001-5/ 23155	Agency Collection of Certain Information from Individuals (Cookies)	2/13/01	-0-	-0-	-0-
2001-6/ 23146-1	Review of PRISM System Control Structure Recorded in Transaction Flow Narratives	3/7/01	-0-	-0-	-0-
2001-7/ 23146-2	A Test of Controls Associated with the Generation of Benefit Payments	3/30/01	-0-	-0-	-0-
2001-11/ 23149-3	Independent Accountant's Report on Applying Agreed- Upon Procedures for FACTS Data	3/6/01	-0-	-0-	-0-
2001-12/ 32100	Semiannual Report on Follow-up on Audit Recommendations	3/31/01	-0-	-0-	-0-

TABLE 2 *

**REPORTS ISSUED WITH QUESTIONED COSTS
For The Six-month Period Ending
MARCH 31, 2001**

	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, 2001**

	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, or whether it can be referred to the agency for review and corrective action. Allegations designated as priority, *e.g.*, those involving criminal violations and sensitive administrative matters, receive immediate attention. 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 nine (9) complaints or allegations, and closed twelve (12) investigative cases during the reporting period. As of March 31, 2001, forty (40) 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, 2001 through March 31, 2001, we received a total of nine (9) Hotline inquiries. Six of the nine contacts were first-time inquiries relating to pension benefit questions, which were referred to the agency for action. The OIG provided customer assistance to three (3) callers. We did not open any cases from our Hotline contacts this period.

SIGNIFICANT INVESTIGATIONS

TRAVEL IMPROPRIETIES

Upon investigation, we found that a senior level employee abused official travel, engaged in a pattern of false statements and false claims on the employee's travel vouchers, and accepted gratuities from prohibited sources while on travel. Because the offenses involved violations of criminal statutes, this matter was referred to the District of Columbia Office of the United States Attorney for possible prosecution. Once the United States Attorney's Office determined that the evidence did not support a finding of bribery in violation of 18 U.S.C. § 201, it declined other criminal prosecution in lieu of administrative action, and the case was referred back to the OIG for further investigation of the multiple ethics and travel violations. Though the employee terminated employment with this agency during the course of the investigation, the employee was still a government employee. Therefore, we issued a Report of Investigation to agency officials to recoup monies owed the federal government, and a copy was sent to the Inspector General at the employee's current federal agency.

WHISTLEBLOWER RETALIATION

A contractor employee employed at one of PBGC's contracted Field Benefit Administrators (FBA), contacted a PBGC Executive and alleged that the employee was terminated in retaliation for communications with certain PBGC Executives. This matter was referred to our office. Section 265 of 41 U.S.C. gives the OIG limited authority to investigate whistleblower complaints from employees of PBGC's contractors. We found that the weight of the evidence did not support the contract employee's allegation of termination for whistleblowing and that the contractor demonstrated the employee had been removed for cause. We issued a report of findings to the complainant, the designated head of our agency, and the FBA's legal counsel.

PENSION FRAUD CASES

During this period, we closed two (2) cases involving alleged fraud in pension benefits issued by PBGC. A plan participant alleged that he had not received a lump sum pension check that PBGC issued several years ago, and requested payment. Upon investigation, we found that the check had been cashed. We issued a subpoena for the participant's bank records, determined that he had received the pension check, and notified the agency not to re-issue the check.

In another case, we determined that the pension plan participant had filed a forged waiver of spousal retirement benefits. In this case, the husband forged his wife's signature on a document that gave up her right to any future retirement benefits. Upon determination of the fraud, we referred the matter to the agency to correct the records regarding the wife's entitlement to a spousal benefit.

ABUSE AND MISUSE OF CONTRACT EMPLOYEES

We received allegations that a Contracting Officer's Technical Representative (COTR) communicated, orally and in writing, in an abusive and unprofessional manner with contractors, and was using them for work not covered in the

contract. We found the allegations were substantiated, and referred the matter to the agency for corrective action.

TABLE 4

**STATISTICAL TABLES OF INVESTIGATIONS
For The Six-month Period Ending
MARCH 31, 2001**

CASE LOAD

Pending beginning of period	43
Opened this period**	9
Closed this period	12
Pending end of period ***	40

WRONGDOING ALLEGED (CASES OPENED)

Fraud, Waste & Abuse	2
Wrongdoing	3
Improprieties Relating to Pension Benefits	3
Proactive	1

RESULTS OF CASES CLOSED

Allegation disproved or not substantiated	3
Referred to agency for corrective action	4
Fraudulent Waiver of Spousal Pension Benefits	1
Prosecutions & Civil Settlements	1
Prosecution declined; referred to agency for disciplinary action & monetary recovery	1
Administrative Closings	2

HOTLINE AND MAIL INQUIRIES

Received this period	9
First time caller referrals to agency	6
Mail referrals to agency	0
OIG Customer Assistance	3
Cases opened	0

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

*** Twenty-six of the forty 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, the agency proposed regulations to codify policies concerning assessment and waiver of premium penalties. We provided written comments and also met with the Office of the General Counsel.

In addition, as part of the OIG community, we provided periodic comments on proposed bills currently before Congress, including amendments to the IG Act.

REPORTS TO CONGRESS

Through the 2001 Omnibus Appropriations legislation, Congress amended the District of Columbia Code to require Inspectors General to report on their agencies' prompt payment of amounts owed to the District of Columbia government for water and sewer services. We informed the Chairman of the Committee on Appropriations for the US Senate that, since the PBGC leases office space from a private company, we do not fall within the statutory reporting requirement (OIG Report 2001-4).

OIG AND AGENCY CONSULTATION

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

- As a result of participating as a mentor in the agency's Mentoring Program, the Deputy Inspector General is participating on a team working on knowledge management initiatives. One initiative is to develop PBGC "Yellow Pages," an electronic database that identifies knowledge, skills and abilities of employees, and provides certain background and locator information about them.
- We continue to work with PBGC officials to reinforce referrals to the OIG of fraudulent pension payments.
- We continue to participate in a PBGC multi-departmental team that formulated and implemented an Information Security Corrective Action Plan based on the results of our penetration testing. Congress requested that the Plan be completed by September 30, 2000. Congress asked us to monitor and report on the progress of implementation of the corrective actions.

LIAISON WITH THE UNITED STATES GENERAL ACCOUNTING OFFICE

The OIG maintains close liaison with GAO. There was no GAO activity during the reporting period.

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.	13
Section 5 (a) (1)	Significant problems, abuses, and deficiencies.	2 – 5, 11
Section 5 (a) (2)	Recommendations with respect to significant problems, abuses, and deficiencies.	2 – 5, 11
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.	12
Section 5 (a) (5)	Summary of instances where information was refused.	6
Section 5 (a) (6)	List of audit reports by subject matter, showing dollar value of questioned costs and funds put to better use.	7
Section 5 (a) (7)	Summary of each particularly significant report.	2 – 5, 11
Section 5 (a) (8)	Statistical table showing number of reports and dollar value of questioned costs.	8
Section 5 (a) (9)	Statistical table showing number of reports and dollar value of recommendations that funds be put to better use.	9
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.	6

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 34177
Washington, D.C. 20043-4177**