

Pension Benefit Guaranty Corporation Office of Inspector General



**Semiannual Report to the Congress
April 1, 2002 – September 30, 2002**



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

Office of Inspector General

October 31, 2002

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

It is my pleasure to submit this twenty-seventh Semiannual Report to the Congress as the Acting Inspector General of the Pension Benefit Guaranty Corporation (PBGC or Corporation) Office of Inspector General (OIG). This report summarizes the major activities and accomplishments of our Office for the six-month period ending September 30, 2002. Our accomplishments were made possible by the dedicated efforts of a committed and professional staff.

This was a period of great change for us: the PBGC Inspector General for thirteen years, Wayne Robert Poll, retired and I became Acting Inspector General; we hired two new staff members; we initiated some new activities in providing consulting services to PBGC and in preventing fraud; and we worked very closely with PBGC officials on issues affecting compliance with the accelerated date for issuing financial statement audits to ensure that PBGC is timely.

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. Our Office issued six (6) reports in the audit area, including the Management Letter related to the Audit of PBGC's 2001 Financial Statements, and an Audit Alert Memorandum communicating the agency's need to develop corrective action plans in response to audit recommendations. We also continued our focus on information technology security issues, which included conducting reviews and communicating with PBGC regarding vulnerabilities and possible solutions.

In the investigative area, we opened seven (7) and closed eleven (11) investigations. Of the investigations we closed this period, four involved pension fraud. We initiated Fraud Alerts, using the corporate e-mail, to raise employees' awareness of recent fraudulent activity and the OIG's role in preventing and detecting fraud.

To accomplish our mission, I have worked to establish productive professional relationships with PBGC's Executive Director and other Executives, managers, employees, and the Congress. I have striven to highlight the OIG's role to assist PBGC in preventing and detecting fraud, waste and abuse by offering consultation and advisory services on various Corporate initiatives. Our accomplishments have contributed to improving PBGC's programs and operations, and we look forward to continuing our work with PBGC officials.

Sincerely,

Deborah Stover-Springer
Acting Inspector General

Enclosure

EXECUTIVE SUMMARY

This is the twenty-seventh 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 April 1, 2002 through September 30, 2002. This was a period of great change for our office: our Inspector General for thirteen years, Wayne Robert Poll, retired, we hired two new staff members, and we initiated some new activities in providing consulting services to PBGC and in preventing fraud.

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 six (6) reports, including:

- *FY 2001 Financial Statement Audit Management Letter* (see page 2);
- *Review of Sensitive Payments for FY 2001*(see page 2)
- *Audit of PBGC's Schedules of Appeals Closings for FY 1999 and 2000* (see page 3); and
- *PBGC Needs to Require Corrective Action Plans to Address Audit Recommendations* (see page 3).

After an extensive period of recruitment we were able to hire an information technology (IT) specialist. Having this expertise on staff enabled the office to conduct more IT security reviews, provide guidance on corrective actions for identified vulnerabilities, and liaison with agency officials during preparation of the GISRA report to OMB.

In the investigative area, we opened seven (7) new investigative cases during the reporting period and closed eleven (11) cases. Among the significant investigative activity this period, we:

- *Hired a new investigator;*
- *Issued Fraud Alerts to PBGC personnel through the e-mail to increase awareness of particular fraud activities and the OIG's role in fraud prevention* (see page 8); and
- *Closed four cases related to pension benefit fraud* (see page 8).

During the period, we reviewed two sets of proposed regulations: (1) amendments relating to PBGC's compliance with the Government Paperwork Elimination Act (GPEA) to remove barriers that might limit electronic filing with PBGC or electronic issuances by PBGC; and (2) amendments relating to the "phase-in" period for PBGC's guarantee of pension benefits that are contingent upon a shutdown.

We also continued our advisory services to PBGC in various GPEA initiatives and financial systems integration efforts, and began providing consulting services relating to the redesign of PBGC's premium accounting system.

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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 44 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 268,600 participants receiving benefit payments from PBGC. Additionally, in its fiscal year 2001 financial statement, the PBGC reported that it has assets of about \$22.6 billion and liabilities of \$14.7 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 and consults with PBGC management on findings and systemic issues. 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.

There were many changes in the OIG staff during this period. The Inspector General retired after serving in the position since 1989, and we hired a new investigator and an information technology specialist in the audit area. Our OIG staff consists of twelve (12) employees, of which two are investigators and one is an administrative assistant.

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 2001 and FY 2002 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 six (6) reports to help PBGC reduce costs and strengthen management controls. Below is a summary of reports; a matrix of the reports and results is at page 6. 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 EVALUATION REPORTS

FISCAL YEAR 2001 FINANCIAL STATEMENT AUDIT - MANAGEMENT LETTER (2002-6/23157-5)

The OIG engaged PricewaterhouseCoopers, LLP to audit PBGC's financial statements of the Single-Employer and the Multiemployer Fund for the fiscal years (FY) ended September 30, 2001 and 2000. In the previous reporting period, the OIG issued opinions on the financial statements and management's assertion concerning the system of internal control, and a report on compliance with laws and regulations (see OIG Report 2002-3/23157-2 and discussion in our previous Semiannual Report to Congress).

As a follow-on to the financial statement audit, we issued a management letter report with findings concerning several control conditions, including the need to:

Specifically identify administrative expenses to be paid from limitation funds, including documenting the allocation ratio and compliance with appropriation law, and develop fiscal year budgets using these identification methods.

Actively monitor derivatives activity by monitoring the custodian's accounting and reporting activities and reconcile the custodian's and the investment managers' derivative inventories and positions monthly.

Improve information security by enhancing the organizational structure and developing and implementing specific policies and procedures.

Enhance controls regarding the PRISM Trial Balance Reconciliation process by strengthening review procedures.

REVIEW OF SENSITIVE PAYMENTS FOR FISCAL YEAR 2001 (2002-10/23163)

In conjunction with the annual financial statement audit, the OIG performed an audit of Sensitive Payments made to senior level officials in FY 2001. Sensitive Payments encompass a wide range of executive functions including executive compensation, travel, official entertainment funds, unvouchered expenditures, consulting services, speaking honoraria and gifts, and executive perquisites. In the area of travel, we noted some errors such as overdue travel vouchers and limited justification for actual expense.

**AUDIT OF PBGC'S SCHEDULES OF APPEALS
CLOSINGS FOR FISCAL YEARS 1999 AND 2000
(2002-11/23154)**

This audit continued work requested by the leadership of the Special Committee on Aging and Committee on Small Business and Entrepreneurship of the United States Senate. The Committees asked that we review the results of pension plan participants' appeals of pension benefit determinations issued by PBGC. Specifically, they were interested in how many benefit determinations were "successfully" appealed, i.e., the appeals decisions resulted in a benefit determination more favorable to the participant than PBGC's original benefit determination.

In response to OIG's request, PBGC issued Schedules of Closed Appeals for Fiscal Years (FY) 1999 and 2000. The number of appeals closed was 2005 in FY 1999 and 1583 in FY 2000. Most of the closed appeals upheld PBGC's benefit determinations. On the other hand, 17% in FY 1999 and 26.3% in FY 2000 of appeal decisions resulted in changes more favorable to participants, while 1% or fewer resulted in less favorable changes for participants. As a result of our testing, we conclude that PBGC's assertions, as reported in the schedules, are fairly presented.

**PBGC NEEDS TO REQUIRE CORRECTIVE ACTION
PLANS TO ADDRESS AUDIT RECOMMENDATIONS
(2002-9/23167)**

We issued an Audit Alert Memorandum to communicate to PBGC its long standing need to develop Corrective Action Plans (CAP) in response to audit recommendations, and to express our concerns regarding PBGC's compliance with external and internal requirements relating to CAPs. PBGC responded positively to this Alert Memorandum, developed a policy and procedure that incorporated OIG suggestions, and provided its first CAPs in response to the Financial Statement Management Letter audit (summarized above).

OTHER AUDIT ACTIVITY

INFORMATION TECHNOLOGY

After a thorough search, we hired an IT Audit professional with CISA credentials and over 25 years of experience. We feel that this will allow us to be more active in providing oversight of PBGC's IT systems and activities. It will also provide us with the ability to better monitor system security.

During this reporting period, we were active in evaluating systems security, particularly how well PBGC is protecting its systems from unauthorized access. We also reviewed general and application controls using FISCAM and NIST guidance in order to adequately address the questions presented by the Government Information Security Reform Act (GISRA). We coordinated our GISRA response with PBGC and jointly prepared our submission to OMB.

FINANCIAL STATEMENT AUDIT

A major Corporate endeavor is preparation of its Annual Report, which includes the financial statements and the auditor's reports. The timetable for completing the Fiscal Year 2002 financial statement audit was accelerated to comply with

the mandated January 31, 2003 reporting requirement. At PBGC, this meant that the audit would have to be completed approximately two months sooner than in prior years. This required both PBGC and the OIG to take a fresh look at the way the financial statement information prepared and the audit was conducted. To meet the deadline, we reevaluated our audit approach and identified audit work that could be completed earlier in the process. We negotiated a new delivery schedule with PBGC for audit deliverables. PBGC and the OIG have worked collaboratively to resolve issues as they arise. We have also made suggestions to the Corporation regarding adjustments to procedures that would facilitate meeting their current, as well as future, accelerated timeliness reporting requirements.

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's audit follow-up system documents and reports on management's actions to encourage prompt resolution of audit recommendations. We follow the Office of Management and Budget (OMB) Circular A-50 guidance that audit recommendations be resolved within six (6) months of issuance. An audit recommendation is resolved when agency management and the OIG reach agreement on firm plans of action to correct reported weaknesses. Resolution does not mean an audit recommendation is closed. The OIG closes audit recommendations only when it determines that corrective actions have been completed by the agency.

In our *Semiannual Listing of Audit Recommendations* (OIG Report 2002-12/32105) we reported that there were forty-six (46) open audit recommendations, of which forty-four (44) were outstanding audit recommendations from prior reporting periods. The agency reviewed and reported to the OIG on their actions to address the recommendations. The OIG concurred that management had presented sufficient evidence to close two (2) audit recommendations. We reported that forty-four (44) audit recommendations remained open on September 30, 2002 (*Semiannual Report on Follow-up of Audit Recommendations*, OIG Report 2002-13/32106). A number of these recommendations remain open pending review during this year's financial statement audit. We continue to meet with departmental officials to discuss the outstanding recommendations and provide guidance on actions necessary to close them.

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.

As reported in prior periods, PBGC has 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 the next reporting period, we will be reporting the results of our review of the accuracy of benefit determinations that PBGC issues to participants to the United States Senate's Special Committee on Aging and Committee on Small Business and Entrepreneurship who requested this work. Our report will discuss the need to identify, acquire and retain source documentation for critical data elements. We will continue to work with PBGC management to resolve this disagreement.

INSPECTOR GENERAL REPORTS*
For The Six-month Period Ending
SEPTEMBER 3, 2002

REPORT NUMBER	REPORT TITLE	DATE ISSUED	DOLLAR VALUE OF QUESTIONED COSTS	DOLLAR VALUE OF BETTER USED FUNDS	DOLLAR VALUE OF UNSUPPORTED COSTS	NUMBER OF NONMONETARY RECOMMENDATIONS
Audits						
2002-6/23157-5	FY 2001 Financial Statement Audit - Management Letter	8/29/2002				24
2002-10/23163	Review of Sensitive Payments for FY 2001	6/20/2002				
2002-11/23154	Audit of PBGC's Schedules of Appeal Closings for Fiscal Years 1999 and 2000	8/15/2002				
Evaluations						
2002-9/23167	Audit Alert Memo - PBGC Needs to Require Corrective Action Plans to Address Audit Recommendations	5/21/2002				
2002-12/32105	Semiannual Listing of Audit Recommendations	7/31/2002				
2002-13/32106	Semiannual Report on Follow-up of Audit Recommendations	9/30/2002				

* This statistical information is required by section 5(a)(6) of 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 seven (7) complaints or allegations, and closed eleven (11) investigative cases during the reporting period. As of September 30, 2002, forty-six (46) cases remain open (see the summary of investigative activities at page 9).

Significant time this period was devoted to hiring a new investigator, who began in June 2002, and reviewing our oldest inventory of cases to determine whether additional investigative work was warranted or they should be closed.

OIG HOTLINE

The OIG operates a separate "1-800" hotline telephone number and a Hotline 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 April 1, 2002 through September 30, 2002, we received a total of five (5) Hotline inquiries. Two of the five 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) individuals who contacted our Hotline. We did not open any cases from our Hotline contacts this period.

FRAUD ALERTS TO PBGC PERSONNEL

For the first time, we issued fraud alerts to PBGC employees and contractors to increase their awareness of various fraud activities and of the OIG's role in preventing and detecting fraud. We developed a colorful Fraud Alert template and issued the Alerts through the corporate e-mail. Prior to issuing the first alert notifying employees of a current ATM fraud, we notified PBGC's Executive Director of our intention to issue such alerts periodically. He responded with full support of our fraud prevention efforts. Our second Fraud Alert explained the "4-1-9," or Nigerian, scams, that several PBGC employees had reported they had received. There has been widespread positive response to these first two Fraud Alerts.

SIGNIFICANT INVESTIGATIONS

PENSION FRAUD CASES

During this period, we closed four cases that raised issues of fraud relating to pension plans and benefits. One of our investigations found that a participant had falsely represented to PBGC that he had not received his monthly pension benefit. In two other cases involving participants' monthly benefit checks being cashed after their deaths, because the fraud occurred long before it was reported to the OIG, there were evidentiary problems and we could not seek prosecution. In the fourth case, we provided assistance to local law enforcement in a fraud investigation which included pension payments.

**SUMMARY OF INVESTIGATIVE ACTIVITIES
For The Six-month Period Ending
SEPTEMBER 30, 2002**

CASE LOAD

Pending beginning of period	50
Opened this period**	7
Closed this period	11
Pending end of period ***	46

WRONGDOING ALLEGED (CASES OPENED)

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

RESULTS OF CASES CLOSED

Allegation disproved or not substantiated	2
Assistance to other law enforcement entity	1
Referred to agency for corrective action	3
Theft/Perpetrator Unidentified	1
Matters Referred for Prosecution	2
Prosecutions/Convictions	0
Administrative Closing	2

HOTLINE AND MAIL INQUIRIES

Received this period	5
First time caller referrals to agency	1
Mail referrals to agency	1
OIG Customer Assistance	3
Cases opened	0

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

*** Thirty-nine of the forty-six 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, we reviewed and commented on proposed amendments to regulations to address: compliance with the Government Paperwork Elimination Act's e-business requirements, and the phase-in of PBGC's guarantee of pension benefits that result from a business shutdown.

OIG AND AGENCY CONSULTATION

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

We continue to participate in a PBGC multi-departmental team that addresses financial management systems integration.

We provided PBGC with a summary of issues relating to that we had identified over a period of time. This information was provided to aid PBGC in its redesign of its premium accounting system. We are also providing consultation services to PBGC on its efforts by serving as a non-voting member of its redesign team.

The Acting Inspector General is serving as a resource to PBGC's Accuracy of Benefits Team.

The Acting Inspector General is serving as a resource to PBGC's Government Paperwork Elimination Task Force.

CONGRESSIONAL REQUESTS

We continue to work with the United States Senate's Special Committee on Aging and the Committee on Small Business and Entrepreneurship on several issues impacting on the accuracy of PBGC's calculation of individual participants' benefits, and PBGC's budgeting for and funding of its operations.

**LIAISON WITH THE UNITED STATES
GENERAL ACCOUNTING OFFICE**

When GAO conducts a study of PBGC operations and issues a report with recommendations, the OIG tracks the completion of those recommendations in our audit follow-up. During the reporting period, GAO initiated two studies to review:

PBGC's budget structure and compliance with the funding limitations established by Congress in its annual appropriations; and

PBGC's strategic workforce planning to identify elements of successful workforce plans, best practices, and lessons learned.

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.

Inspector General Act Reference	Reporting Requirements	Page
Section 4 (a) (2)	Review of legislation and regulations.	10
Section 5 (a) (1)	Significant problems, abuses, and deficiencies.	2 - 4, 6
Section 5 (a) (2)	Recommendations with respect to significant problems, abuses, and deficiencies.	2 - 4, 6
Section 5 (a) (3)	Prior significant recommendations on which corrective actions has not been completed.	4 15-19
Section 5 (a) (4)	Matters referred to prosecutive authorities.	9
Section 5 (a) (5)	Summary of instances where information was refused.	4
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, 6
Section 5 (a) (8)	Statistical table showing number of reports and dollar value of questioned costs.	13
Section 5 (a) (9)	Statistical table showing number of reports and dollar value of recommendations that funds be put to better use.	14
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

REPORTS ISSUED WITH QUESTIONED COSTS*
For The Six-month Period Ending
SEPTEMBER 30, 2002

	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 section 5(a)(8) of the Inspector General Act of 1978, as amended.

**REPORTS ISSUED WITH RECOMMENDATIONS
THAT FUNDS BE PUT TO BETTER USE***
**For The Six-month Period Ending
SEPTEMBER 30, 2002**

	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 section 5(a)(9) of the Inspector General Act of 1978, as amended.

OPEN RECOMMENDATIONS*
For The Six-month Period Ending
SEPTEMBER 30, 2002

Report	Report Number	Date Issued	Recommendation Number	Recommendation
Evaluation of the Premium Accounting System Computer Platform	97-8/ 23097	8/26/97	IRMD-100	Complete the questionnaires contained in the PAS documentation and assess the results for adherence to relevant circulars and guidelines.
			IRMD-101	Conduct periodic tests of the PAS Disaster Recovery Plan, document the test results, and assign responsibility for updating the plan as needed.
			IRMD-121	Review the use of external programs providing additional edits and validations and incorporate them into the PAS production environment, as appropriate.
Audit of Fiscal Year 1996 Financial Statements - Management Letter	97-23/ 23110-3	9/23/97	FOD-263	Enforce policies and procedures to record adjustments to actual benefit payment amounts disbursed by IPAs, within one month.
Audit of the Pension Benefit Guaranty Corporation's Fiscal Years 1997 and 1996 Financial Statements	98-3/ 23126-2	3/23/98	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.
			IRMD-92	Follow the formal systems development life cycle methodology on systems acquisition or development projects, and require the same of contractors.
			IRMD-93	Identify specific criteria to allow PBGC to effectively monitor systems outsourcing relationships.
Improvements Are Needed To Achieve Better Efficiency And Effectiveness In PBGC's Benefit Determination Process	99-2/ 23128-1	3/2/99	IOD-158	Establish timeliness performance measures for principal activities of the benefit determination process.
			IOD-160	Take reasonable steps to identify whether there are participants who have not received an IDL.

This statistical information is required by section 5(a)(3) of the Inspector General Act of 1978, as amended.

**OPEN RECOMMENDATIONS
For The Six-month Period Ending
SEPTEMBER 30, 2002**

Report	Report Number	Date Issued	Recommendation Number	Recommendation
			IOD-164	Review actuarial peer reviews, controlled group and net worth audits, and the reconciliation of plan assets to determine whether redundant activities exist.
			IOD-165	Determine whether redundant activities identified should be eliminated.
			IOD-167	Establish a policy requiring that IOD's core curriculum training is mandatory.
			IOD-168	Enforce compliance with time accounting requirements established in IOD's Procedures Manual.
Audit of the Pension Benefit Guaranty Corporation's Fiscal Years 1998 and 1997 Financial Statements	99-7/ 23132-2	3/3/99	FASD-112	Conduct a Business Impact Analysis to validate critical workloads. In addition, recovery priorities should be established and documented for mission critical systems. IRMD can serve as the central point for developing these priorities and help facilitate and coordinate the efforts required to complete this process.
			FASD-114	Develop detailed procedures for the recovery of PBGC operations.
			FASD-115	Test the contingency/disaster recovery procedures on a regular basis, using sufficiently detailed test plans and scenarios. Review and incorporate test results, as appropriate, in the contingency/disaster recovery plan in a timely manner.
			IOD-151	Perform an analysis of data integrity within the PRISM database and develop a formal corrective action plan.
			IOD-152	Analyze and improve system edits and processing controls within PRISM to minimize erroneous data input and data processing. Design and place in operation an exception reporting mechanism to mitigate the risk of unauthorized transactions processing.
			IRMD-104	Update the existing contingency/disaster recovery plan to reflect the current computing environment at PBGC.

**OPEN RECOMMENDATIONS
For The Six-month Period Ending
SEPTEMBER 30, 2002**

Report	Report Number	Date Issued	Recommendation Number	Recommendation
Fiscal Year 1998 Financial Statement Audit-Management Report	99-8/ 23132-3	9/23/99	FOD-274	Enhance financial reporting controls surrounding PAS to improve the system's ability to accurately track premiums receivable on a plan basis.
			FOD-275	Analyze the existing year-end processes surrounding PAS and identify improvements that will reduce the necessity of manual adjustments, validity testing, and reclassifications at year-end.
			IOD-169	Enforce existing IOD policies and procedures requiring that participants' files contain complete information critical for the benefit payments and the PVFB liability calculation.
			IOD-172	Enforce policies and procedures that require participants' records in PRISM contain information that is adequately supported in IPS.
			IOD-175	Delete invalid duplicate participant records in PRISM and implement necessary controls to prevent the creation of duplicate records in future processing.
			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.
Audit of the Pension Benefit Guaranty Corporation's Fiscal Years 1999 and 1998 Financial Statements	2000-7/ 23138-2	3/31/00	IRMD-118	Finalize accreditation and certification of systems.
Fiscal Year 1999 Financial Statement Audit-Management Letter	2000-8/ 23138-3	8/21/00	FOD-279	Assign responsibility to the General Accounting Branch to reconcile monthly the PD records and FARS records, and document supervisory review of the monthly reconciliations.
			FOD-281	Record the amounts identified by the Premium Compliance Reviews as due to PBGC in conformity with GAAP and in a timely manner.

**OPEN RECOMMENDATIONS
For The Six-month Period Ending
SEPTEMBER 30, 2002**

Report	Report Number	Date Issued	Recommendation Number	Recommendation
Evaluation of the Premium Compliance Review Program	2001-2/ 23142	1/24/01	CCRD-5	Ensure that all the PCR reviews performed by Contractors comply with the Premium Compliance Review Procedures Manual.
Audit of the Pension Benefit Guaranty Corporation's Fiscal Years 2000 and 1999 Financial Statements	2001-9/ 23149-2	3/29/01	IOD 193	Reassess the level of access to the PBGC's paying agent Payment and Ledger files that is given to the Management Information Specialist. The PBGC's paying agent files should not be directly modified using SQL queries and any changes made to the PBGC's paying agent files should be re-submitted for authorization.
			IOD-194	Add additional integrity checks to verify the integrity of the data received by PBGC's paying agent.
			IOD-195	Changes to the information used to process customer payments should be authorized before being sent to PBGC's paying agent or at a minimum it should be logged and reviewed regularly.
			IOD-196	Changes made by the Data Working Group should be sent back for re-authorization.
			IOD-197	Reassess use of the Authorizer Administration inclusion function. This functionality should be limited to special usage, logged and reviewed by PBGC management.
			IOD-198	Segregate duties of individuals processing PBGC's paying agent payments and PBGC's paying agent ledger files.
			IOD-199	Independently review changes made by the Document Management Center supervisor before they are submitted to OASD.
Fiscal Year 2000 Financial Statement Audit-Management Report	2001-13/ 23149-4	9/17/01	IRMD-128	Verify that systems access is being properly authorized, in accordance with PBGC's policies and procedures, prior to granting user access.

**OPEN RECOMMENDATIONS
For The Six-month Period Ending
SEPTEMBER 30, 2002**

Report	Report Number	Date Issued	Recommendation Number	Recommendation
			IRMD-129	Verify that user access is being terminated properly and timely upon an individual's termination, in accordance with PBGC's policies and procedures.
			IRMD-130	Verify that documentation, supporting granting and terminating users' access to the LAN is properly maintained, in accordance with PBGC's policies and procedures.
Audit of the Pension Benefit Guaranty Corporation's Fiscal Years 2001 and 2000 Financial Statements	2002-3/ 23157-2	3/29/02	FASD-117	Ensure that each department document specific procedures such as manual/peripheral processing procedures for restoring applications and operations as part of its COOP, including specific references to critical data files required.
			FASD-118	Include requirements for the use of alternate facilities in each of the COOP plans, if needed, as well as instructions for staff and contractors as to their role in the recovery process and where they would perform their duties.

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 14640
Washington, D.C. 20044-4640**