

Pension Benefit Guaranty Corporation Office of Inspector General



**Semiannual Report to the Congress
October 1, 2002 – March 31, 2003**



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

April 30, 2003

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

I am pleased to submit this twenty-eighth Semiannual Report to the Congress. The report summarizes the major activities and accomplishments of the Office of Inspector General for the six-month period ending March 31, 2003.

On January 13, 2003, I became the second Inspector General of the Pension Benefit Guaranty Corporation. I intend to enhance the value of the Office of Inspector General by being an independent and objective voice that provides PBGC with critical information for improving operations. I also pledge to keep Congress, the Board of Directors and management fully informed of our work and alerted to areas where PBGC could be more economical and efficient.

I have begun several initiatives since I arrived in January, including one to work with management to improve the Corporation's policy for resolution and follow-up on audit recommendations. The Chief Financial Officer and I jointly sponsored a team that is tasked with developing a corporate policy to encourage mutual agreement on audit recommendations, improving accountability for implementing action plans, and fostering effective communication and a cooperative spirit. The work of the team has already resulted in major improvements in resolving differences on audits.

This past year, PBGC coped with an unprecedented number of plan terminations, and is facing significant challenges in the coming years. The OIG is committed to supporting PBGC's efforts to promote and protect pensions through competence, customer service and sound business practices. At my request, management identified major challenges that would benefit from audit. We plan to help PBGC deal with these challenges by focusing our work on the critical issues that are important to Congress, the Board of Directors and management.

Our work this reporting period has resulted in significant operational benefit to PBGC. Our Office issued six (6) reports in the audit area, including the Audit of the FY 2002 Financial Statements, and two related audits. We also continued our focus on information technology security issues, which included internal and external network penetration testing.

In the investigative area, we opened ten (10) and closed thirteen (13) investigations. Of the investigations we closed this period, four involved pension fraud and one resulted in the removal of a contractor employee who was working without a work permit and visa. We are investigating the diversion of a premium payment check to a foreign bank, and recovered premiums of over \$250,000 based on the investigation.

Finally, the real value of audits and investigations is the corrective actions that are implemented by management. I would like to thank Executive Director Kandarian and the rest of his management team for their cooperation and responsiveness to our work. I also want to commend all OIG employees for their accomplishments, professionalism and dedication.

A handwritten signature in black ink, appearing to read "Robert L. G." followed by a flourish.

EXECUTIVE SUMMARY

This is the twenty-eighth 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, 2002 through March 31, 2003. 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 2002 Financial Statement Audit (see page 2);*
- *Two reports that support the U.S. Treasury's preparation of United States Government consolidated financial statements (see page 3); and*
- *Two reports relating to internal and external network penetration testing (see page 4).*

In the investigative area, we opened ten (10) new investigative cases during the reporting period and closed thirteen (13) cases. Among the significant investigative work conducted this period, we:

- *Recovered \$254,800 lost premium revenue for PBGC from a premium payment check that was diverted into a foreign bank (see page 9);*
- *Found that a contract employee whose work permit and visa had long expired was working at PBGC, resulting in his removal (see page 9);*
- *Closed five cases related to pension benefit fraud (see page 9), among which we:*
 - *Referred to PBGC for collection action our finding that a bank had improperly permitted a deceased participant's son to access his bank account and withdrawn pension payments made after the participant's death;*
 - *Referred for prosecution a former spouse who had diverted her husband's lump sum pension check; and*
 - *Found that a participant falsely stated that he had not received a lump sum benefit payment.*

During the period, we reviewed proposed rules concerning benefit payments to participants when their pension plan terminates. The OIG initiated and is participating in several new corporate-wide team activities to improve PBGC, including:

- *The Inspector General, Chief Financial Officer and General Counsel are considering PBGC corporate governance issues;*
- *The Inspector General and Chief Financial Officer are jointly-sponsoring a team, in which OIG auditors are participating, to develop new audit resolution and follow-up policy; and*
- *An OIG auditor is participating as a consulting, non-voting member of a team that is conducting a self-assessment using the Performance Assessment Review Tool.*

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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 345,000 participants receiving benefit payments of approximately \$1.5 billion from PBGC. Additionally, in its fiscal year 2002 financial statement, the PBGC reported that it has assets of about \$26.4 billion and liabilities of \$29.9 billion.

THE OFFICE OF INSPECTOR GENERAL

One of the 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 was a major change in the OIG during this period. A new Inspector General was named to lead the organization. Our OIG staff consists of twelve (12) employees, of which two are investigators and one is an administrative assistant.

During this reporting period, the OIG initiated a project to modernize its information technology infrastructure. This project will enable the OIG to implement a mobile computing environment that provides independence, security, flexibility, and the access required to provide timely, high quality products.

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 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

CORPORATION'S FISCAL YEARS 2002 AND 2001 FINANCIAL STATEMENTS (2003-3/23168-1 and 2003-3/23168-2)

The OIG issued a report with three opinions related to the 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, 2002 and September 30, 2001 (see 2002-3/23168-2). PricewaterhouseCoopers, LLP performed the audit under the general guidance of the OIG.

- ◆ An unqualified opinion on the financial statements 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, 2002 and 2001, 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 determined that PBGC had made some progress in addressing control issues previously reported. Two reportable conditions were carried forward from prior financial statement audits. PBGC needs to: (1) continue in efforts to integrate its financial management systems and improve its systems development life cycle methodology; and (2) complete and fully test its plan for maintaining continuity of operations.

In addition, the FY 2002 audit work identified three other reportable conditions. PBGC needs to: (3) continue its effort to implement an effective fully integrated and functional enterprise-wide security program; (4) improve its controls over the identification and measurement of estimated liabilities for probable terminations; and, (5) enhance controls over measurement of asset values for non-commingled assets of trustee plans, plans pending trusteeship and plans for probable termination.

- ◆ The report on compliance with applicable laws and regulations states that, with respect to items tested, no instance of non-compliance was disclosed.

In addition, the OIG issued a single-page unqualified opinion report that PBGC incorporated into its FY 2002 Annual Report (2003-3/23168-1).

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES
(2003-4/23168-3)**

The General Accounting Office (GAO) requested the OIG to perform specific procedures enumerated by the U.S. Treasury 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, 2002.

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES
FOR CFO REPRESENTATIONS FOR FEDERAL
INTRAGOVERNMENTAL ACTIVITY AND BALANCES
(2003-5/23168-4)**

GAO requested the OIG to perform specific procedures enumerated by the U.S. Treasury and related to PBGC's submission of its CFO representations for Federal Intragovernmental Activity and Balances transmission. The agreed-upon procedures were performed to assist with the accounting for and eliminating intragovernmental activity and balances in the preparation of agency and government-wide financial statements and reports. These procedures are performed to assist in the preparation of the consolidated United States Government financial statements for the year ended September 30, 2002.

**NETWORK PENETRATION TESTING (Internal)
(2002-14/23169)**

We engaged PricewaterhouseCoopers (PwC) to perform penetration testing of PBGC's internal computing resources, including tests for compliance of its selected security policies. The internal vulnerability assessment identified both security strengths and weaknesses. Because this report contains sensitive data its release is restricted.

**NETWORK PENETRATION TESTING (External)
(2003-1/23169-2)**

We engaged PricewaterhouseCoopers (PwC) to perform penetration testing of PBGC's external computing resources. The external vulnerability assessment identified both security strengths and weaknesses. One of the strengths is that we did not gain access to the internal network systems through the internet. however, because this report contains sensitive data its release is restricted.

OTHER AUDIT ACTIVITY

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 January 31, 2003. At PBGC, this meant that the audit would have to be completed 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 was prepared and the audit was conducted.

For the Fiscal Year 2003 financial statement audit, the Executive Director mandated a December 31, 2003 reporting requirement, one month earlier than the OMB-requirement. To meet this deadline, we are again reevaluating our audit approach and trying to identify audit work that could be completed earlier in the process. We will be negotiating a new delivery schedule with PBGC for audit deliverables. PBGC and the OIG will work collaboratively to resolve issues as they arise. We have also made suggestions to the Corporation regarding adjustments to processes that would facilitate meeting this year's, as well as future, accelerated 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 2003-4/32107) we reported that there were sixty-eight (68) 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. During this reporting period, the OIG and PBGC Management met and resolved issues regarding closure. The OIG concurred that management had presented sufficient evidence to close twenty-six (26) audit recommendations. Forty-two (42) audit recommendations remain open. A number of 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.”

We are aggressively working with PBGC management to bring this issue to resolution.

INSPECTOR GENERAL REPORTS*
For The Six-month Period Ending
MARCH 31, 2003

REPORT NUMBER	REPORT TITLE	DATE ISSUED	DOLLAR VALUE OF QUESTIONED COSTS	DOLLAR VALUE OF BETTER USED FUNDS	DOLLAR VALUE OF UNSUPPORTED COSTS	NUMBER OF NON-MONETARY RECOMMENDATIONS
Audits						
2003-2/23168-1	Audit of Pension Benefit Corporation Fiscal Years 2002 and 2001 Financial Statements (Single Page Report)	1/30/2003				
2003-3/23168-2	Audit of Pension Benefit Corporation Fiscal Years 2002 and 2001 Financial Statements	1/30/2003				25
Evaluations						
2002-14/23169-1	Network Penetration Testing (Internal) (Restricted)	11/13/2002				
2003-1/23169-2	Network Penetration Testing (External)(Restricted)	12/20/2002				
2003-4/32107	Semiannual Listing of Audit Recommendations	1/31/2003				
2003-5/23168-3	Independent Accountant's Report on Applying Agreed Upon Procedures for FACTS Data	2/6/2003				
2003-6/23168-4	Independent Accountant's Report on Applying Agreed Upon Procedures For CFO Representations for Federal Intragovernmental Activity and Balances	2/6/2003				

* 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 opened ten (10) investigative cases from complaints or allegations we received, and closed thirteen (13) cases during the reporting period. As of March 31, 2003, forty-three (43) cases remain open (see the summary of investigative activities at page 9).

We issued our third Fraud Alert to PBGC employees and contractors notifying them of a rash of credit card thefts and ways to protect themselves and help prevent thefts from occurring.

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.

During this period, we received four (4) Hotline inquiries. One of the four contacts was a first-time inquiry relating to pension benefit questions, and was 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.

SIGNIFICANT INVESTIGATIONS

THEFT OF PREMIUM PAYMENT CHECK

The diversion of a pension plan sponsor's premium payment of more than \$250,000 was reported to the OIG for investigation. The check intended for PBGC was presented for payment to a foreign bank. Because the bank questioned the signature, it was holding the funds in escrow. The OIG investigator recovered the funds from the pension plan sponsor, thereby avoiding the international legal process to claim the funds from the foreign bank. We are continuing to work with other law enforcement agencies to track the perpetrator.

ILLEGAL WORKER REMOVED

Through investigation, we discovered that a contractor was working at PBGC long after his work permit and visa had expired. PBGC took immediate action to have the illegal worker removed from PBGC's contract.

PENSION FRAUD CASES

During this period, we closed five cases that raised issues of fraud relating to pension plans and benefits. Our investigations resulted in the following:

- Referral to PBGC to seek restitution from a bank that had improperly permitted the deceased participant's son to access the participant's account and continue receiving his father's benefit.
- Notice to PBGC not to replace an alleged missing benefit check because the participant had falsely represented to PBGC that he had not received his lump sum pension benefit.
- Referral for prosecution of a former spouse who had diverted her husband's lump sum pension benefit.
- Administrative closing of two other cases, one because the fraud occurred long before it was reported to the OIG and we could not seek prosecution, and another because there was no evidence to support a claim that the waiver of spousal benefit was given under duress.

SUMMARY OF INVESTIGATIVE ACTIVITIES
For The Six-month Period Ending
MARCH 31, 2003

CASE LOAD

Pending beginning of period	46
Opened this period**	10
Closed this period	13
Pending end of period ***	43

WRONGDOING ALLEGED (CASES OPENED)

Fraud, Waste & Abuse	4
Wrongdoing	1
Improprieties Relating to Pension Benefits	5

RESULTS OF CASES CLOSED

Allegation disproved or not substantiated	4
Removal from position	1
Referred to agency for collection activity	1
Theft/Perpetrator Unidentified	1
Matters Referred for Prosecution	1
Prosecutions/Convictions	0
Administrative Closing	5

RESTITUTIONS AND RECOVERIES \$254,800

HOTLINE AND MAIL INQUIRIES

Received this period	4
First time caller referrals to agency	1
Mail referrals to agency	0
OIG Customer Assistance	3
Cases opened	0

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

*** Thirty-four of the forty-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, we reviewed and commented on proposed rules concerning benefit payments to participants when their pension plan terminates.

OIG AND AGENCY CONSULTATION

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

- ◆ The Inspector General is participating on a team with the CFO and the General Counsel to consider PBGC corporate governance issues.
- ◆ OIG auditors are participating on a multi-departmental agency team, jointly sponsored by the Inspector General and the CFO, to develop an audit resolution and follow-up policy to address accountability for audit response, implementation of corrective actions, effective communication between the OIG and PBGC, and foster cooperation to improve agency operations.
- ◆ We are participating as a consulting, non-voting member of an agency team that is conducting a self-assessment using OMB's Performance Assessment Review Tool.
- ◆ We continue to participate in a PBGC multi-departmental team that addresses financial management systems integration.
- ◆ We continue to provide consultation services to PBGC on its efforts by serving as a non-voting member of its Premium Redesign Team.
- ◆ The Deputy Inspector General is serving as a resource to PBGC's Accuracy of Benefits Team.

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.

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 – 3, 6
Section 5 (a) (2)	Recommendations with respect to significant problems, abuses, and deficiencies.	2 – 3, 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.	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 – 3, 6
Section 5 (a) (8)	Statistical table showing number of reports and dollar value of questioned costs.	12
Section 5 (a) (9)	Statistical table showing number of reports and dollar value of recommendations that funds be put to better use.	13
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
MARCH 31, 2003

	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
MARCH 31, 2003**

	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
MARCH 31, 2003**

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 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.
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.
			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-168	Enforce compliance with time accounting requirements established in IOD's Procedures Manual.

OPEN RECOMMENDATIONS
For The Six-month Period Ending
MARCH 31, 2003

Report	Report Number	Date Issued	Recommendation Number	Recommendation
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.
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-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.

OPEN RECOMMENDATIONS
For The Six-month Period Ending
MARCH 31, 2003

Report	Report Number	Date Issued	Recommendation Number	Recommendation
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..
Audit of the Pension Benefit Guaranty Corporation's Fiscal Years 2000 and 1999 Financial Statements	2001-9/23149-2	3/29/01	IOD-197	Reassess use of the Authorizer Administration inclusion function. This functionality should be limited to special usage, logged and reviewed by PBGC management.
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.
Fiscal Year 2001 Financial Statement Audit-Management Letter	2002-6/23157-5	08/29/02	BD-2	Develop a system to specifically identify limitation administrative expenses and develop fiscal year budgets using the specific identification methods.
			BD-3	Provide documentation to support the accuracy of the allocation ratio and the propriety of designating administrative expenses as not being subject to limitation as defined in the appropriation law.
			IOD-204	Amend PRISM Trial Balance Reconciliation review procedures in TP 11.1 to require that the reconciliations be imaged in IPS after supervisory review.
			IOD-207	Amend TP 30.1 to include deadlines for completion of the monthly reconciliations and to require supervisory review and approval.
			IOD-208	Implement monthly procedures to submit a list of inactive participants to the PRISM team before the month-end cut-off to update the pay status to inactive and to verify that the submitted changes were made.

OPEN RECOMMENDATIONS
For The Six-month Period Ending
MARCH 31, 2003

Report	Report Number	Date Issued	Recommendation Number	Recommendation
			IOD-209	Modify TP 12.7 and 12.8 to require that the audit working papers be imaged, including the sample selected, the database associated with the sample, all sources used to test the sample and the errors found in the sample.
			FOD-289	Strengthen compliance with premium refund timeliness goals.
			CTO-1	Develop and document specific policies and procedures to perform risk assessments of business systems as required by OMB.
			CTO-2	Implement the established policies and procedures for completing risk assessments to comply with OMB requirements.
			IRMD-131	Improve the information security structure to provide for enhanced responsibility and accountability.
			IRMD-132	Develop and document policies and procedures for the performance of periodic re-certifications of PBGC systems' user accounts.
			IRMD-133	Implement periodic re-certifications of PBGC systems' user accounts.
			IRMD-134	Establish monitoring procedures to enforce compliance with existing change control policies, procedures, and standards.
			IOD-210	For cases with data sources more than five years old, implement a procedure to determine whether 1) an updated data source would provide a more accurate estimate of the NRFFA liability and 2) a valuation is available or can be completed without a significant burden on resources.
			FOD-291	Revise the Controller Division Consolidated Procedures Manual to require that the promissory notes and financial assistance disbursement documents are timely placed in the General Accounting Branch vault, and sign-out logs are periodically

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For The Six-month Period Ending
MARCH 31, 2003

Report	Report Number	Date Issued	Recommendation Number	Recommendation
				reviewed to ensure documents are returned timely.
			FOD-293	Actively monitor derivatives activity by monitoring SSB's accounting and reporting activities.
			FOD-294	Reconcile SSB and the investment managers' derivative inventories and positions monthly.
			FOD-295	PBGC's Board of Directors should review and approve PBGC's investment policy once every two years

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
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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**