



# OFFICE OF INSPECTOR GENERAL AUDIT REPORT

**Fiscal Year 2024  
Financial Statement Audit  
Management Letter Report**

**Report No. AUD-2025-05  
December 18, 2024**

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December 18, 2024

**MEMORANDUM**

**TO:** Ann Orr  
Acting Director

Patricia Kelly  
Chief Financial Officer

**FROM:** Nicholas J. Novak  
Inspector General *Nicholas J. Novak*

**SUBJECT:** Fiscal Year 2024 Financial Statement Audit Management Letter  
(AUD-2025-05)

I am pleased to transmit the attached Fiscal Year 2024 Financial Statement Audit Management Letter Report resulting from the Audit of the financial statements of the Pension Benefit Guaranty Corporation (PBGC or the Corporation) for the year ended September 30, 2024 and of internal control over financial reporting as of September 30, 2024.

We contracted with Ernst & Young LLP (EY), an independent certified public accounting firm, to perform the audit. EY conducted the audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards (GAS), issued by the Comptroller General of the United States; and in accordance with the provisions of Office of Management and Budget (OMB) Bulletin 24-02, "Audit Requirements for Federal Financial Statements".

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. During the audit EY

became aware of deficiencies in internal control, other than a material weakness or significant deficiency, and other matters that are opportunities to strengthen PBGC's operations. This management letter summarizes these deficiencies and recommendations. The issues noted in this report are not significant; and therefore, these control deficiencies were not required to be reported in the Independent Auditor's Reports issued on November 15, 2024.

In FY 2024 EY had issued four new recommendations and closed five prior years' recommendations with the total of five open recommendations remaining at the end of FY 2024.

In your December 17, 2024 response to a draft of the Management Letter Report, you indicated that PBGC management agreed with the open recommendations and provided planned corrective actions with estimated completion dates. Responses to individual prior years' recommendations have been incorporated into the Management Response section of Attachment III.

EY is responsible for the attached management letter dated November 15, 2024 and the conclusions expressed therein. We do not express opinions on PBGC's financial statements, internal control, or conclusions with laws and regulations.

We would like to take this opportunity to express our appreciation for the overall cooperation provided during the performance of the audit.

cc: Alice Maroni, Chief Management Officer, OMA  
David Foley, Chief of Benefit Administration, OBA  
Karen Morris, General Counsel, OGC  
John Hanley, Chief of Negotiations & Restructuring, ONR  
Robert Scherer, Chief Information Officer, OIT  
Michael Rae, Acting Chief Policy Officer, OPEA  
Walt Luiza, Director, FOD  
Lisa Carter, Director, CCRD



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To the Inspector General and Management  
of the Pension Benefit Guaranty Corporation

In planning and performing our audit of the financial statements of the Pension Benefit Guaranty Corporation (PBGC or the Corporation) for the year ended September 30, 2024 and of internal control over financial reporting as of September 30, 2024, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards (GAS)*, issued by the Comptroller General of the United States; and in accordance with the provisions of Office of Management and Budget (OMB) Bulletin 24-02, *Audit Requirements for Federal Financial Statements*, we noted certain matters involving internal control over financial reporting and its operation that we consider to be control deficiencies based on criteria established under 31 U.S.C. § 3512(c), (d), commonly known as the Federal Managers' Financial Integrity Act (FMFIA) as implemented by OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* and in *Standards for Internal Control in the Federal Government* issued by the United States Government Accountability Office (the Green Book).

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

During our audit, we noted deficiencies in internal control (as described above) and other matters, which are summarized on the following pages. The entity's written response to the deficiencies and other matters identified in our audit was not subject to auditing procedures.

In accordance with Government Auditing Standards, we also have issued our report dated November 15, 2024, addressed to the Board of Directors, Management, and the Office of the Inspector General on our audit of the Corporation's internal control over financial reporting.

This report is intended solely for the information and use of the Inspector General, Management, and others within the organization and is not intended to be and should not be used by anyone other these specified parties.

November 15, 2024

I. Acronyms

Acronym	Definition
ASTD	Actuarial Services and Technology Department
EY	Ernst & Young, LLP
IPVFB	Integrated Present Value of Future Benefits
ITIOD	Information Technology Infrastructure Operations Department
OIT	Office of Information Technology
PD	Procurement Department
ONR	Office of Negotiations & Restructuring
COR	Contracting Officer's Representative
OEM	Oracle Enterprise Manager

II. Recommendations breakdown by department:

Type	ASTD	PD	ONR	OIT	Total
Open recommendations as of 09/30/2023	3	-	1	2	6
Recommendations Closed during FY24 Audit	(2)	-	(1)	(2)	(5)
New FY24 Audit Recommendations	-	2	-	2	4
Open recommendations as of 09/30/2024	1	2	-	2	5

III. Recommendations Issued during Prior Year Audits

Finding/condition	Recommendation	Management comment	Remediation date
<p>Experience studies for the Spouse age difference for seriatim and phase out liability for unlocatable missing participant assumptions are out of date.</p>	<p><i>2021-06-01 (ASTD)</i>  Conduct experience study over for the Spouse age difference for seriatim and phase out liability for unlocatable missing participant assumptions.</p>	<p>PBGC agrees with these recommendations. During FY20, the Actuarial Services and Technology Department (ASTD) developed a schedule for studying all assumptions and methods within the Integrated Present Value of Future Benefit (IPVFB) inventory, and this schedule was based in part on the critical status of the assumption. The spouse age difference assumption study was completed during FY23 and there were no changes to the current assumption that resulted from this study. The results of the sensitivity analysis on the phase-out of liability assumptions, which was conducted during fiscal year (FY) 2021, show that these assumptions have almost no impact to the overall IPVFB liability. These assumptions were assigned a low critical status and are currently scheduled to be conducted during FY 2025.</p>	<p style="text-align: center;">6/30/2025</p>

IV. Recommendations Issued during the FY24 Audit

Finding/condition	Recommendation	Management Response	Remediation date
<p>During our testing of PBGC's entity-level control # CE10, EY randomly selected 32 Contracting Officer's Representative (COR) designation letters to inspect that the designation letters were appropriately signed upon award of the contract or modification to change the COR. EY identified five designation letters that were not appropriately signed by the Contracting Officer, COR, and/or a supervisor upon award of the contract or modification to change the COR and were not signed until after EY requested the documentation for testing. EY also identified three designation letters that were missing at least one of the three signatures.</p>	<p><i>2025-05-01 (PD)</i>                      Enhance procedures to ensure COR designation letters are appropriately created and signed by all parties upon award of the contract or modification to change the COR.</p> <p><i>2025-05-02 (PD)</i>                      Update procedures to ensure the signed COR designation letters are maintained in the required locations to evidence the acceptance of COR appointments.</p>	<p>PD will review its current policies and procedures regarding COR designation letters for any updates, or revisions needed to ensure COR Designation letters are fully executed and maintained in the contract files.</p>	<p>3/31/2025</p>



Finding/condition	Recommendation	Management Response	Remediation date
<p>The ServiceNow (SNow) Workflow to request and approve datafixes was misconfigured such that if an “environment” was not selected, SNow could not associate any approvers to the requests, and therefore requests were automatically approved. PBGC implemented this workflow in November 2023, and not all datafix requests for FY2024 were subject to this workflow. The previous Datafix process, i.e., seeking and receiving approvals from the appropriate staff via email, was still in place for the entire audit period. EY tested the existing Datafix process as a compensating control and did not identify any exceptions.</p>	<p><i>2025-05-03 (OIT)</i>  PBGC should provide guidance and training to workflow developers and business testers to ensure that workflows supporting internal control over financial systems are configured to automatically reject rather than approve workflow items when all required elements are not met.</p>	<p>PBGC agrees with the recommendation and will plan to submit a request for closure in June 2025.</p>	<p>6/30/2025</p>

Finding/condition	Recommendation	Management Response	Remediation date
<p>PBGC has not developed a formal process to alert respective teams of OEM scheduled job failures or established alert response time and resolution requirements.</p>	<p><i>2025-05-04 (OIT)</i>                      Management should review existing OEM jobs and ensure that each job logs, detects, and alerts on job failures where there is potential impact to system processing routines. Further, a job monitoring process with escalation parameters and resolution paths should be developed and followed to ensure consistency of control execution.</p>	<p>PBGC agrees with the recommendation and will plan to submit a request for closure in June 2025.</p>	<p style="text-align: center;">6/30/2025</p>

V. Criteria

GAO-14-704G, Standards for Internal Control in the Federal Government (Green Book)

OMB Circular A-50, Audit Follow-up

OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control

OMB Circular A-11, Preparation, Submission and Execution of the Budget

Guidance published by the National Institute of Standards and Technology (NIST), and through  
Presidential Decision Directives.

PBGC standards, procedures, and policies



**Pension Benefit Guaranty Corporation**  
445 12th Street SW, Washington, DC 20024-2101

Office of the Director

December 17, 2024

To: Nicholas J. Novak  
Inspector General

From: Ann Y. Orr  
Acting Director

**ANN ORR**  
Digitally signed by ANN  
ORR  
Date: 2024.12.17  
11:06:00 -05'00'

Subject: Response to Draft FY 2024 Management Letter Report

PBGC management appreciates the opportunity to comment on the Draft FY 2024 Management Letter Report issued as part of the FY 2024 financial statement audit.

We agree with the draft report's new recommendations. For your convenience, we are separately providing updates regarding the recommendations identified in the management letter via an electronic attachment based on your report's format. These include our planned corrective actions and estimated completion dates for each new recommendation and updates regarding the prior year recommendation referenced in Section III of the Draft FY 2024 Management Letter Report.

Please contact Lisa Carter should you have any questions.

cc:

Patricia Kelly, Chief Financial Officer  
Michael Rae, Acting Chief Policy Officer  
Karen Morris, General Counsel  
David Foley, Chief of Benefits Administration  
Alice Maroni, Chief Management Officer  
John Hanley, Chief of Negotiations and Restructuring  
Robert Scherer, Chief Information Officer  
Lisa Carter, Director Corporate Controls and Reviews Department  
Walter Luiza, Director Financial Operations Department