




Office of Inspector General

February 1, 2023

TO: Karen Morris
General Counsel

John Hanley
Chief of Negotiations and Restructuring

FROM: John Seger 
Assistant Inspector General for Audits, Evaluations, and Reviews

SUBJECT: Limited Scope Evaluation of the Impact of GAO's Decision on the Use of a
Bifurcated Interest Rate for Special Financial Assistance (EV-23-173)

The Office of the Inspector General is initiating an engagement on PBGC's Special Financial Assistance (SFA) program's use of a bifurcated interest rate. Please see the enclosure for more specific details on the engagement and for topics we plan to discuss at the entrance conference. We will begin work on this engagement immediately, so we would appreciate you notifying the appropriate staff.

The next step will be to conduct an entrance conference which we will coordinate with the Corporate Controls and Reviews Department. At the entrance conference, we request PBGC provide any feedback on the planned engagement.

Thank you in advance for your time and consideration.

cc: Frank Pace, Director, CCRD
Latrece Wade, Risk Management Officer
Kristin Chapman, Chief of Staff

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Overview of the Engagement

Subject: Limited Scope Evaluation of the Impact of GAO's Decision on the Use of a Bifurcated Interest Rate for Special Financial Assistance (EV-23-173)

Source for the Work: This project is self-initiated. As of the date of this memo we are not aware of GAO's final opinion.

Issue(s) Under Review/Objective(s)/Key Question(s):

1. Based on the GAO's decision on the SFA Final Rule provisions, we will determine the impact of the decision on the Corporation's activities since the implementation of the Final Rule.
2. What is the amount of SFA approved and paid which utilized the bifurcated interest rate?
3. What actions did the Corporation take in response to the suggestions in the Risk Advisory on the bifurcated interest rate:
 - a. *Develop a contingency plan taking into considerations potential outcomes from GAO's decision?*
 - b. *Evaluate risks during the interim period (while waiting for GAO's decision) and implement operational changes to minimize adverse consequences and to reduce likelihood of improper payments?*
4. Depending on the outcome of the GAO opinion, what actions does the Corporation plan to take in response?

Entrance Conference Discussion Topics:

1. Overview of the origins of the bifurcated interest rate, including a summary of the Corporation's key decisions, timing, and rationale. In particular the change in position from the Interim to Final rule and how that was approved.
2. Explanation of actions taken since our Risk Advisory was issued to mitigate possible repercussions of an adverse GAO opinion.
3. Describe how plans apply for supplemented SFA related to the bifurcated interest rate and what is the Corporation's process to review?

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Documentation Requested for the Entrance Conference:

1. Documentation supporting the SFA bifurcated interest rate, as defined in the Final Rule, and the approval process for its inclusion in the Final Rule, including any briefing papers used to explain the problem and the alternatives to decisionmakers.
2. Documentation supporting management's consideration of potential outcomes or program changes based on an unfavorable GAO legal opinion, i.e., contingency plan.
3. A list of plans approved for supplemented SFA payments under the Final Rule, including amounts paid and date of payment.
4. A list of plans approved for initial SFA payments under the provisions of the Final Rule, including amounts paid and date of payment.

Points of Contact Requested:

Office of the General Counsel
Office of Negotiations and Restructuring

OIG Contacts:

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