



Office of Inspector General

March 30, 2020

MEMORANDUM REPORT

TO: Alice Maroni
Chief Management Officer

FROM: Brooke Holmes 
Assistant Inspector General for Audits, Evaluations, and Inspections

SUBJECT: Inspection of FY 2018 Annual Performance Report
(Report Number EVAL-2020-09)

This memorandum report presents the results of our inspection of the FY 2018 Annual Performance Report (APR). The objective of this inspection was to determine the accuracy of performance information in the annual report and assess whether controls are effective for ensuring information reported is complete, accurate, and reliable. We conducted our work in accordance with the CIGIE Quality Standards for Inspection and Evaluation. (See Appendix I). We provided a draft copy of this memorandum report to management and their comments have been incorporated in this final report. We appreciate the cooperation you and your staff extended to the OIG during this project. We thank you for your receptiveness to our recommendations and your commitment to reducing risk and improving the effectiveness and efficiency of PBGC programs and operations. This report contains public information and will be posted in its entirety on our website and provided to the Board and Congress in accordance with the Inspector General Act.

Summary

While we found no material misstatements, we did find several errors in the 2018 APR. We also determined that PBGC has not implemented OMB Circular A-11, Part 6; specifically, PBGC does not have an agency-wide validation and verification policy in place to ensure data accuracy. In addition, PBGC did not, as required, disclose its assessment of the reliability and completeness of the performance data in the FY 2018 APR. As a result, the APR may not accurately reflect the Corporation's progress towards performance goals and fulfilling the requirements of OMB A-11 Part 6. This failure increases the reputational risk that the APR could contain a material misstatement.

Background

The Pension Benefit Guaranty Corporation guarantees the retirement benefits of over 35 million workers and retirees through insurance coverage with single employer and multiemployer plan sponsors. The Corporation is directly responsible for the pension benefits of about 1.5 million current and future retirees in trustee pension plans and pays over \$6 billion a year in benefits. PBGC receives no taxpayer funds. Because of its vital mission and operating model, one of the three strategic goals articulated in PBGC's Strategic Plan is to "maintain high standards of stewardship and accountability."

APR Background

PBGC is required by 31 U.S.C. § 9106 to submit an Annual Report to Congress, the President, the Director of the Office of Management and Budget, and the Comptroller of the United States within 180 days of the end of the Corporation's fiscal year. Among other things, the Annual Report should include a statement of financial position, a statement of operations, and a statement of cash flow. In addition, the Government Performance and Results Act Modernization Act of 2010 requires agencies to set goals for program performance and publicly report on actual performance achieved. PBGC includes the annual performance reporting in its Annual Report.

Further, OMB Circular A-11, Part 6 also requires that the APR should provide information on the agency's progress towards achieving the goals and objectives described in the agency's Strategic Plan and Annual Performance Plan, including progress on strategic objectives, performance goals and Agency Priority Goals. For PBGC, the APR details the status of the multiemployer and single-employer programs, legal and regulatory activities, benefit payments, finances, customer service research, workforce, how PBGC safeguards customers' interests, and independent evaluations of PBGC's programs. The performance report is viewed as PBGC's report card to the President, Congress, and the public.

PBGC's APR Process

PBGC's Quality Management Department (QMD) is responsible for managing the strategic planning process and the performance management program, including preparing the APR. In August 2018, QMD began preparing for the 2018 report by emailing a request to their PBGC contacts to review the 2017 APR content and provide QMD updated narratives for the 2018 APR. QMD requested that the narratives include updates on work or projects that were in progress the previous year, information on new projects, milestone achievements, and any other corporate-level noteworthy

information. QMD then compiled the APR information from the contributing departments.

Details

Finding: PBGC Did Not Ensure that the Information in the APR was Reliable and Complete as Required by OMB Circular A-11

OMB Circular A-11, dated June 2018, Part 6, section 240.26 states:

The Government Performance and Results Act Modernization Act requires agencies to prepare information on the reliability of data presented. Agencies may develop a single data verification and validation appendix used to communicate the agency's approaches, and/or may also choose to provide information about data quality wherever the performance information is communicated (e.g. websites). ... The transmittal letter included in the APRs must contain an assessment by the agency head of the completeness and reliability of the performance data presented and a description of agency plans to improve completeness, reliability, and quality, where needed. ... Agencies should have in place verification and validation techniques that will ensure the completeness and reliability of all performance measurement data contained in their Annual Performance Plans and reports as appropriate to the intended use of the data.

The Circular also provides a list of verification and validation criteria that agencies can use to increase the level of confidence, including:

- Source data are well-defined and documented;
- Supporting documentation is maintained and readily available; and
- Responsible officials certify that data accuracy has been checked and that procedures were followed.

The QMD's APR Standard Operating Procedure (SOP), dated February 10, 2017, states that the Enterprise Evaluation Division (EED) within QMD is responsible for ensuring the accuracy and reliability of performance data and that the APR narrative accurately reflects data collected. In addition, the SOP requires that PBGC's contributing departments submit their APR narratives along with supporting numbers, trends, and charts. For the final report submission, evidence of the Department Director's review and approval is required. While the SOP has requirements for contributing departments, the SOP is only applicable to QMD and EED because it is

their internal SOP. The SOP notes “the details of this procedure do not account for products produced by any division, department, or individual outside of EED.”

PBGC's Processes for Providing APR Updates

We found PBGC's contributing divisions followed different informal processes for developing and updating narratives and data for inclusion in the APR. We verified 38 values published in PBGC's FY 2018 APR from the Office of General Counsel (OGC), Office of Benefits Administration (OBA), Office of Negotiation and Restructuring (ONR), and the QMD.

OBA personnel updated the narrative and data in the APR and forwarded the information to the OBA leadership team along with supporting documentation. Prior to submitting the updates to QMD, the OBA leadership approved the package, including supporting documentation. We tested six values within OBA's section of the 2018 APR and found no errors.

OGC implemented a multiple-step review process for its APR data. OGC generated internal reports to support APR information and used quarterly status reports of bankruptcies in order to obtain the most accurate information. The General Counsel reviewed and approved the APR narrative submission, but OGC did not provide QMD supporting documentation. We tested 14 values in OGC's portion of the FY 2018 APR and found no errors.

According to the Chief of ONR, ONR leadership reviews, updates, and approves the APR information. Then the ONR coordinator provides the APR updates to the Chief of ONR who reviews and approves release to QMD. ONR does not provide QMD with supporting documentation.

We tested 15 values from ONR's portion of the FY 2018 APR and found 6 values were not supported by evidence. Four of the unsupported numbers were from the Multiemployer Division. First, for the "Multiemployer Plan Financial Assistance Number of Participants and Future Number of Participants," ONR used values from a September 2018 file; however, the file is updated routinely and ONR did not save the supporting data for the APR for validation and verification. Second, ONR submitted a rough estimate of Multiemployer plan audits (13) and the associated number of plan participants, instead of the actual number of audits performed (12) and the associated number of plan participants. ONR stated that, going forward, they will count only completed audits with reports.

Finally, for two numbers, ONR did not have supporting documentation for two values associated with a dollar value and a date related to a company negotiation to provide additional pension funding related to a bankruptcy case. During our inspection, we interviewed, obtained supporting documentation, and provided a detailed out brief of results with the ONR coordinator for the APR, the Deputy Chief of ONR, and other ONR staff. Documentation supporting these numbers was not provided and the numbers were characterized as best estimates. While PBGC accepted an amount close to the estimate, the completion date was over a year later than estimated. ONR has noted that the timing and amount of recovery on PBGC's bankruptcy claims depend upon a claims resolution process directed by the bankruptcy court. Going forward, ONR will ensure that such contingencies are supported by documentation recovery estimates in its reporting for the APR. After issuance of our discussion draft, the Chief of ONR was able to locate some supporting documentation for one of the values. In our earlier audit interviews, ONR designated points of contact were not aware of this documentation. This miscommunication within ONR underscores the need to perform verification and validation of APR information and ensure that supporting data is maintained and readily available as required under OMB Circular A-11.

For QMD's values, a contractor provides QMD information regarding the three values we reviewed. The contracting officer's representative overseeing the contract for customer survey results stated that she obtained the survey reports from the vendor, then updated the 2018 content based on the language of the 2017 APR. The contracting officer's representative then provided the proposed language to the contractor to verify the information. The contracting officer's representative provides the data to her manager for approval prior to inclusion in the APR. We tested 3 values in QMD's portion of the FY 2018 APR and found no errors.

QMD Did not Ensure Accuracy of Performance Data

PBGC does not have an agency-wide directive or instruction implementing OMB Circular A-11, Part 6, although QMD personnel stated they were aware of the requirement.

In addition, while the QMD SOP identified the EED as responsible for ensuring the accuracy and reliability of the data, it could not determine whether the information was accurate and reliable because not all departments provided them supporting documentation or rationale for estimates. QMD personnel stated that they relied on the department managers to ensure the information was accurate. Without supporting documentation, QMD cannot ensure that the information in the APR is accurate. After we started the inspection, QMD met with the departments to compile information

regarding how the departments validated and verified data submitted to the FY 2018 Annual report.

By not implementing the requirements of OMB Circular A-11, PBGC has not been transparent to the users of the APR regarding how the data was calculated and the procedures PBGC used to validate and verify the data. Although three of the four divisions provided accurate data to QMD for the FY 2018 APR, one division provided several unsupported values which increased the chance of publishing an APR with material misstatements and, consequently, increased the risk to PBGC's reputation.

Recommendations

We recommend the Office of Management and Administration:

1. Develop Corporate-wide guidance that implements OMB Circular A-11, Part 6 to ensure completeness and reliability of performance data and to disclose validation and verification techniques.

PBGC Comments and OIG Response

Resolved. PBGC concurred with the recommendation. OMA and QMD will update guidance in Directive GA-15-05 to correspond with the changes contemplated for recommendations 1 and 2. In addition, QMD will develop written guidance for Departments describing changes to the FY 2020 verification process and will meet with senior leaders to outline changes to the FY 2020 verification process. OMA's goal is to complete these actions by December 31, 2020.

Closure of this recommendation will occur when PBGC implements updated guidance reflecting that its actions are aligned with OMB Circular A-11, Part 6 regarding validation and verification of data.

2. Develop a process to ensure that the Enterprise Evaluation Division can reasonably determine whether the information being published in the APR is reliable and accurate.

PBGC Comments and OIG Response

Resolved. PBGC concurred with the recommendation. QMD will require that Department Directors describe efforts taken to verify and validate the data and will require the Department Directors to sign and date their submission, attesting

that the data they provide is accurate and reliable. QMD will also review department provided source documents to ensure QMD agrees with the data submitted for the APR. Finally, PBGC said its senior leaders will continue their multiple reviews of the narrative and supporting numbers during the process. OMA's goal is to complete these actions by December 31, 2020.

Closure of this recommendation will occur when PBGC provides updated guidance and demonstrates its implementation.

cc: Diane Braunstein, Director, QMD
Frank Pace, Director, CCRD
Paul Chalmers, Acting General Counsel
Latreece Wade, Risk Management Officer
Department of Labor Board staff
Department of Treasury Board staff
Department of Commerce Board staff
House committee staff (Education and Workforce, Ways and Means, HOGRA)
Senate committee staff (HELP, Finance, HSGAC)

Appendix I: Objective, Scope, Methodology, and Standards

Objective

To determine the accuracy of performance information reported in the Annual Report and assess whether controls are effective for ensuring information reported is complete, accurate, and reliable.

Scope

To answer our objective, we reviewed the FY 2018 Annual Performance Report. Our review focused on the performance data in the annual report and the controls over the annual performance report process. We conducted this inspection from June 2019 through January 2020 in Washington, DC.

Methodology

To accomplish our inspection objectives, we:

- Reviewed federal laws, regulations, guidance and PBGC policies and procedures applicable to the APR to determine PBGC's compliance;
- Determined PBGC's process for reviewing and validating information reported in the FY 2018 Annual Report;
- Interviewed QMD and contributing department officials to determine if they reviewed and validated information reported in the FY 2018 Annual Report; and
- Assessed the effectiveness of the verification and validation techniques the Corporation uses to ensure the completeness and reliability of all performance measurement data contained in its annual performance plan.

Additionally, we judgmentally selected 38 annual performance values listed in the FY 2018 APR to test for accuracy and to determine whether the numbers were approved by cognizant officials prior to submission to QMD.

Applicable Professional Standards

We conducted the review under the authority of the Inspector General Act of 1978, as amended, and in accordance with the Quality Standards for Inspection and Evaluation issued by the Council of the Inspectors General on Integrity and Efficiency.

Appendix II: Management Response



To: Brooke Holmes
Assistant Inspector General for Audits, Evaluations, and Inspections (OIG)

From: Alice Maroni *Alice C. Maroni*
Chief Management Officer

Subject: Response to OIG's Draft Report on FY 2018 Annual Performance Report
(Project Number IN-19-139)

Date: March 25, 2020

Thank you for the opportunity to comment on the Office of Inspector General's (OIG) draft March 18, 2020, report concerning the Inspection of FY 2018 Annual Performance Report (APR). Your office's work on this is sincerely appreciated.

PBGC met with the representatives from the OIG on March 9, 2020, to discuss the findings and recommendations. The dialogue was both informative and insightful and PBGC is grateful for the opportunity to respond to the recommendations suggested by the OIG.

Management is in agreement with the report's findings and recommendations. In the attachment to this memorandum, you will find our specific responses to each recommendation included in the report, as well as our planned corrective actions and scheduled completion dates. Addressing these recommendations in a timely manner is an important priority for PBGC.

cc: Frank Pace, Director, Corporate Controls and Reviews Department
Latreece Wade, Risk Management Officer
Paul Chalmers, Acting General Counsel
Diane Braunstein, Director Quality Management Department

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Our comments on the specific recommendations to the Office of Management and Administration (OMA) in the draft report are as follows:

OIG Recommendation No 1:

Develop Corporate-wide guidance that implements OMB Circular A-11, Part 6 to ensure completeness and reliability of performance data and to disclose validation and verification techniques.

PBGC Response:

PBGC agrees with this recommendation. OMA and the Quality Management Department (QMD) will take the following actions:

- In accordance with changes described in this memorandum, OMA will update the guidance in Directive GA-15-05 that concerns PBGC's Corporate Planning Process
- QMD will conduct meetings with Senior Leaders to outline changes to the FY 2020 APR data verification process
- QMD will develop written guidance for use by departmental Points of Contact describing changes to the FY 2020 data verification process

Scheduled Completion Date: December 31, 2020

OIG Recommendation No 2:

Develop a process to ensure that the Enterprise Evaluation Division can reasonably determine whether the information being published in the APR is reliable and accurate.

PBGC Response:

PBGC agrees with this recommendation. QMD will undertake the following corrective actions:

Beginning with the FY 2020 APR, QMD will require Department Directors to provide reasonable assurance that the data they submit is reliable. Using an interactive Excel spreadsheet, departments will be required to provide QMD with the following information:

- A reference to an Annual Financial Report (AFR) page number or an electronic link to the data provided to promote QMD's ease of data review
- Whether the data source is internal or external
- Efforts taken to verify and validate performance data including oversight and certifications
- A data quality rating of either high medium or low

QMD will review department-provided source documents to ensure that they agree with the APR numbers submitted. QMD will attest to numerical agreement by initialing and dating the spreadsheet.

To protect data quality once it is obtained, QMD will maintain a separate record of performance data submitted and will maintain internal control of the APR until its data review is complete.

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ATTACHMENT

Additional documentation and verification processes that PBGC will undertake include:

- Department Directors verifying that their department's submitted data is accurate and reliable by signing and dating the QMD spreadsheet
- Noting, as appropriate for clarity, where figures are rounded
- Senior Leaders continuing the practice of conducting multiple APR reviews to approve the report's narrative content and data accuracy. For example, the Office of Negotiation and Restructuring (ONR) will establish an internal data collection and clearance process for staff, with data review, conducted by designated ONR staff and overseen and approved by senior management prior to QMD submission. Further, to avoid complications associated with bankruptcy data driven by external factors, going forward, ONR will report only on recoveries PBGC has received as of the APR reporting date.

Scheduled Completion Date: December 31, 2020

Appendix III: Acronyms

Acronym	Meaning
APR	Annual Performance Report
CIGIE	Council of the Inspectors General on Integrity and Efficiency
EED	Enterprise Evaluation Division
OBA	Office of Benefits Administration
OGC	Office of General Counsel
OMB	Office of Management and Budget
ONR	Office of Negotiations and Restructuring
QMD	Quality Management Department
SOP	Standard Operating Procedure

Appendix IV: Staff Acknowledgements

PBGC OIG Contact

Brooke Holmes, 202-229-3790 or
holmes.brooke@pbgc.gov

Staff Acknowledgements

In addition to the contact above, John Seger, Audit Manager; Christina Harris, Auditor; and Yolanda Young, Auditor made key contributions to this report.

Appendix IV: Feedback

Please send your comments suggestions and feedback to OIGFeedback@pbgc.gov and include your name, contact information, and the report number. You may also mail comments to us:

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If you want to discuss this report or your comments with a member of the Office of Inspector General staff, please contact our office at (202) 326-4030.