



OFFICE OF INSPECTOR GENERAL EVALUATION REPORT

PBGC Needs to Strengthen Acquisition Planning for Actuarial Support Services

**Report No. EVAL-2021-09
June 4, 2021**

PBGC Needs to Strengthen Acquisition Planning for Actuarial Support Services

Background	<p>PBGC Contracting. PBGC relies heavily on contractors and spends a large portion of its budget on contracts to meet its mission to protect the retirement income of millions of American workers. In Fiscal Year (FY) 2020, PBGC obligated approximately \$359 million on contracts for goods and services. PBGC's Procurement Department (PD) is responsible for procuring goods and services for PBGC.</p> <p>Actuarial Support Services Contracts. The Actuarial Services and Technology Department (ASTD) relies on actuarial contractors to help pay timely and accurate benefits to participants in single-employer pension plans trusted by PBGC. Historically, PBGC awarded separate Labor-Hour (LH) contracts to multiple contractors for actuarial support services, in which charges were based on the number of hours worked at fixed hourly rates. For the current actuarial support services contracts, PBGC issued one solicitation and awarded a multiple award Indefinite Delivery, Indefinite Quantity (IDIQ) contract to five contractors. For this IDIQ, PBGC awarded various types of task orders, including firm-fixed-price (FFP), time-and-materials (T&M), LH, and hybrid task orders. As of March 1, 2021, PBGC obligated a total of \$81.9 million on the IDIQ.</p>
Key Questions	<p>Objective. To evaluate PBGC's compliance with applicable FAR and PBGC policies regarding the acquisition planning, awarding, and oversight of the actuarial support services IDIQ contract vehicle and selected task orders. During this phase of the evaluation, we focused on acquisition planning.</p>
Evaluation Results	<p>Overall Conclusion. PBGC's acquisition planning for actuarial support services did not meet its needs timely and effectively. Delays in acquisition planning led PBGC to extend the previous contracts and award follow-on contracts on a sole-source basis. Furthermore, PBGC awarded a contract to assist PBGC with planning for these contracts that had duplicative requirements of an existing contract. As a result, we identified \$447,780 in funds that could have been put to better use from the duplicative procurement support contract. Furthermore, the initial FFP IDIQ task orders had poorly defined requirements and different amounts of work for the same price. In addition, the new actuarial support services multiple award IDIQ contracts each contained different timeliness measures and did not have performance measures for the accuracy of contractors' calculations of benefits and related liabilities; this may lead to additional costs from contractors' time spent correcting errors under LH and T&M task orders.</p>
Corrective Actions	<p>Our Recommendations. We made five recommendations that included the Office of Management and Administration developing and implementing: (1) a tracking process for existing contracts to determine when to initiate acquisition planning; (2) a mediation or escalation process to resolve disagreements during the acquisition planning process; (3) a process for proposed procurement support contracts to assess whether the proposed contract is duplicative of PD's capacity, program office expertise, or existing procurement support contracts; (4) a process during acquisition planning to identify performance areas in need of measurable performance standards for contractors and any existing processes that could be incorporated into the contracts to measure performance; and (5) guidance for reviewing and revising QASPs proposed by offerors.</p> <p>Management Agreement. Management agreed with the recommendations and to take related corrective actions.</p>



June 4, 2021

MEMORANDUM

TO: Alice Maroni
Chief Management Officer

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

SUBJECT: Issuance of Final Evaluation Report, PBGC Needs to Strengthen
Acquisition Planning for Actuarial Support Services
(Report No. EVAL-2021-09)

We are pleased to provide you with the above-referenced final report. We appreciate the cooperation you and your staff extended to 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.

cc: Kristin Chapman, Chief of Staff
David Foley, Chief of Benefits Administration
Russell Dempsey, General Counsel
Frank Pace, Director, Corporate Controls and Reviews Department
Latrece Wade, Risk Management Officer
Juliet Felent, Director, Procurement Department
Scott Young, Director, Actuarial Services and Technology Department
Department of Labor Board staff
Department of Commerce Board staff
House committee staff (Education and Workforce, Ways and Means, HOCR)
Senate committee staff (HELP, Finance, HSGAC)

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Background

The Pension Benefit Guaranty Corporation (PBGC) guarantees the retirement benefits of over 34 million workers and retirees in private-sector defined benefit pension plans. 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 \$6.1 billion a year in benefits. 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."

PBGC Contracting

Our office has raised concerns for many years about PBGC management's oversight of professional services contracts. PBGC relies heavily on contractors and spends a large portion of its budget on contracts to meet its mission to protect the retirement income of millions of American workers. In Fiscal Year (FY) 2020, PBGC obligated approximately \$359 million on contracts for goods and services.

The Procurement Department (PD) within PBGC's Office of Management and Administration (OMA) is responsible for the acquisition of all goods and services for PBGC. PBGC follows the Federal Acquisition Regulations (FAR) for awarding and administering contracts. PBGC also uses the PBGC FAR Supplement (PBGC FARS) as guidance on acquisition procedures. The PBGC FARS establishes uniform internal operating procedures for acquisitions, which implement the FAR, PBGC directives, laws, and regulations.

Actuarial Services and Technology Department

The Actuarial Services and Technology Department (ASTD) is part of the Office of Benefits Administration (OBA). ASTD's mission includes providing actuarial expertise and calculating and valuing termination benefits under Title IV of the Employee Retirement Income Security Act (ERISA).

ASTD relies on actuarial contractors to help pay timely and accurate benefits to participants in single-employer pension plans trustee by PBGC. Actuarial contractors' work is critical to determining participants' benefits and PBGC's related liabilities in the Single-Employer Program, which was responsible for the benefits of about 1.5 million current and future retirees in pension plans trustee by PBGC in FY 2020.

ASTD's actuarial contractors work in phases. The first phase consists of calculating estimated benefits after PBGC trustees a pension plan to put participants in an estimated pay status. Then other contractors conduct plan asset evaluations and participant data reviews, generating data that actuarial contractors use in further calculations. The second and main phase of actuarial contractors' work produces Actuarial Case Reports (ACR), including determining final benefits for each participant in a plan and the total present value of future liabilities for these benefits.

Actuarial Support Services Contracts

Historically, PBGC awarded separate Labor-Hour (LH) contracts to multiple contractors for actuarial support services, in which charges were based on the number of hours worked at fixed hourly rates. For the current actuarial support services contracts, PBGC issued one solicitation and awarded a multiple award Indefinite Delivery, Indefinite Quantity (IDIQ) contract to five contractors. Generally, the government uses IDIQ contracts when it cannot determine the exact amounts of supplies or services it will need. For the actuarial support services IDIQ, PBGC awarded various types of task orders, including firm-fixed-price (FFP), time-and-materials (T&M), LH, and hybrid task orders consisting of a combination of these types. FFP task orders have a set price, and T&M task orders are similar to LH task orders but also include payments for items such as supplies and travel. As of March 1, 2021, PBGC obligated a total of \$81.9 million on the IDIQ, which has a ceiling of \$173 million.

Objective

Our objective was to evaluate PBGC's compliance with applicable FAR and PBGC policies regarding the acquisition planning, awarding, and oversight of the actuarial support services IDIQ contract vehicle and selected task orders. During this phase of the evaluation, we focused on acquisition planning.

Evaluation Results

Summary

PBGC's acquisition planning for actuarial support services did not meet its needs timely and effectively. Delays in acquisition planning led PBGC to extend the previous contracts and award follow-on contracts on a sole-source basis. Furthermore, PBGC awarded a contract to assist PBGC with planning for these contracts that had duplicative requirements of an existing contract. As a result, we identified \$447,780 in funds that could have been put to better use from the duplicative procurement support contract. (See Appendix IV.) Furthermore, the initial FFP IDIQ task orders had poorly defined requirements and different amounts of work for the same price. In addition, the new actuarial support services multiple award IDIQ contracts each contained different timeliness measures and did not have performance measures for the accuracy of contractors' calculations of benefits and related liabilities. This may lead to additional costs from contractors' time spent correcting errors under LH and T&M task orders.

Finding 1: New Contracts Were Delayed Because of Inefficient Acquisition Planning

FAR 7.102(b) states that acquisition planning "shall integrate the efforts of all personnel responsible for significant aspects of the acquisition. The purpose of this planning is to ensure that the Government meets its needs in the most ... timely manner."

Additionally, FAR 7.104 states, "Acquisition planning should begin as soon as the agency need is identified, preferably well in advance of the fiscal year in which contract award or order placement is necessary." However, acquisition planning for the actuarial support services contracts was not completed before the previous contracts expired.

This was due to the following:

- a late start in acquisition planning related to inadequate guidance,
- a lack of communication and disagreements about contract pricing between PD and ASTD, and
- awarding a new, duplicative contract to assist with the acquisition.

The unnecessary acquisition support contract resulted in \$447,780 in funds that could have been put to better use. (See Appendix IV.) In addition, delays led PBGC to extend the period of performance for the previous contracts by 6 months and then award follow-on bridge contracts on a sole-source basis for a total of 18 months of non-

competitive contracting. Lastly, after the contracts were finally awarded, the initial FFP IDIQ task orders awarded to the five contractors had poorly defined requirements and different volumes of work for the same price.

Acquisition Planning History

The previous contracts for actuarial support services were awarded in 2010 and scheduled to expire on September 25, 2015. These were LH contracts and were awarded as single award contracts to four contractors.

ASTD submitted an Advance Procurement Plan (APP) for new LH contracts to PD on January 22, 2015. In a meeting on February 25, 2015, PD recommended that the contracts should be FFP instead and awarded as multiple-award contracts, which was the first time ASTD learned that PD was changing this acquisition.

In March 2015, PD and ASTD agreed on a multiple award IDIQ, but not on pricing type. In order to gather feedback from potential contractors, including on contract pricing type, PBGC issued a Request for Information (RFI) on April 22, 2015.

To further assist with planning, on August 4, 2015, PD awarded a new acquisition support contract to include providing recommendations on structuring the actuarial support services contract and drafting solicitation documents. Therefore, PBGC was not prepared to award new contracts before the previous contracts expired and extended the previous contracts for a total of 6 months.

PBGC then awarded bridge follow-on contracts on a sole-source basis on March 11, 2016, to the same contractors to extend their services. PBGC issued the solicitation for the actuarial support services multiple award IDIQ on July 8, 2016, and initially awarded four contracts on November 30, 2016 (PBGC01-D17-0002, PBGC01-D17-0003, PBGC01-D17-0004, PBGC01-D17-0005). An unsuccessful bidder (Company A) protested, resulting in stop work orders until March 6, 2017, and ultimately PBGC awarded a fifth contract to Company A under the IDIQ on March 3, 2017 (PBGC01-D17-0006). Figure 1 provides more details on the acquisition timeline.

Figure 1. Acquisition Timeline



Source: OIG Summary Based on Contract Files

Late Start Related to Inadequate Guidance for Complex Acquisitions

PBGC’s acquisition planning timeframe was not long enough to ensure that the new contracts were awarded before the previous contracts expired. PBGC’s Directive FM 15-01 repeated the FAR’s recommendation that acquisition planning preferably should begin well in advance of the FY when the contract is needed. However, PBGC’s only specific timeframe for acquisition planning was a PBCGFARS requirement to complete the APP at least 6 months prior to the date the requirement is needed, which did not meet the FAR’s recommendation to start acquisition planning well in advance of the FY when the contract will be required. For the actuarial support services acquisition, the earliest planning document we could locate was ASTD’s APP submitted to PD on January 22, 2015, which met PBGC’s 6-month requirement. However, the APP was approximately 8 months prior to the previous contracts’ expiration, instead of the FAR

recommendation to start planning well in advance of the fiscal year the contract is needed.

In addition, although PD used a spreadsheet called the Expiring Contracts Chart, it was an insufficient planning tool because it did not identify acquisitions requiring more lead time for planning or identify when planning should start. A PD official explained that PD reviewed this spreadsheet to manage the contracts 30 to 90 days out. Additionally, PBGC placed responsibility for beginning acquisition planning on the program office but did not have a mechanism for coordinating with PD to ensure that acquisition planning started on a timely basis.

In this case, PBGC's 6-month timeframe to submit the APP was too short a lead time for this complex acquisition. Complicating factors for this acquisition included changing the contract pricing type, moving to a multi-award IDIQ, and awarding a new acquisition support contract.

Disagreements Between ASTD and PD Not Resolved

In contrast to the FAR requirement regarding integrating efforts in acquisition planning, ASTD and PD did not effectively communicate prior to the APP being prepared. This led to a lengthy disagreement on contract pricing type for the actuarial support services acquisition, which delayed award of the new contracts. ASTD prepared the APP based on the assumption that nothing had changed and planned to continue these services with single-award LH contracts to multiple contractors. However, at some point, PD determined that the new contracts should be changed to FFP and awarded as a multiple-award contract. Because of a lack of communication, ASTD learned of this significant change in procurement philosophy only after it sent the APP to PD and seven months before the LH contracts expired.

The disagreement centered around assigning the work to contractors on a FFP basis. While FFP is generally the preferred type of contract to reduce risk to the government, it requires a defined scope of work and minimal or predictable risk. However, according to ASTD and vendors' replies to the RFI, when PBGC initially acquires a pension plan, the risk involved is unpredictable and revealed only after the contractor begins work and after the contractors bid on task orders. Therefore, FFP task orders may not be a good fit for most of ASTD's actuarial support services because the work involves significant unknowns at the time PBGC trustees a pension plan. In 2011, a consultant to PBGC recommended improvements to actuarial services contracts but did not recommend changing directly to FFP contracts. PD and ASTD's difference of opinion was not resolved.

Additionally, PBGC lacked a process for resolving acquisition planning disagreements. When PBGC issued the IDIQ solicitation, PD and ASTD had still not fully resolved contract pricing, almost 18 months after ASTD submitted its initial APP proposing LH contracts. For example, the solicitation included FFP and LH/T&M task orders, but during the solicitation period, PBGC did not directly answer potential bidders' questions about what types of work would use each pricing type and instead noted that most of the work would be awarded as FFP.

However, after the multiple award IDIQ contracts were awarded, but not in time for the acquisition planning phase, the Quality Management Department (QMD) facilitated meetings between ASTD and PD to mediate the disagreement regarding pricing types for task orders. In addition, a QMD manager explained that in 2019, QMD became involved in acquisition planning for the next actuarial contract to ensure it would be awarded before the current IDIQ expires. PBGC still does not have a formal process in place to mediate conflicts related to acquisition planning.

Contracting for Duplicative Services

PD awarded a new contract to assist with acquisition planning for the actuarial support services contract, which further contributed to delays. Although PD had a pre-existing contract with Company D for procurement support, PD awarded a contract to Company B (PBGC01D150003) to convert existing LH actuarial services contracts to a performance-based contract, or FFP. Company C then protested the award, but the Government Accountability Office (GAO) dismissed their protest because it was late. In May 2020, court documents revealed that a former PBGC PD official helped Company C write its proposal and protest to attempt to steer this contract, which he acknowledged in his guilty plea to conspiracy to bribe a government official.¹ While the protest was under review, PBGC's pre-existing contractor, Company D, worked on acquisition planning for actuarial support services, which negated the need for this requirement. Once GAO dismissed the protest, Company D stopped work and Company B proceeded.

After Company B worked for approximately 4 months, PBGC found that its recommendations were unworkable and terminated the contract. PBGC then assigned Company D to again work on the planning for actuarial support services. Consequently, the contract with Company B was duplicative, and we identified \$447,780 obligated on this contract as funds that could have been put to better use. (See Appendix IV.)

¹ For more information, see PBGC OIG AUD-2021-01, *Internal Controls Must be Strengthened to Promote Procurement Integrity* (December 8, 2020).

Non-Competitive Contracting for 18 Months and Poorly Defined Task Orders

Delays in planning and resolving disagreements led PBGC to extend the previous actuarial support services contracts and award these contractors bridge contracts on a sole-source basis to allow services to continue until work under the new contracts could begin. PBGC used non-competitive contracts for a total of 18 months, in violation of FAR 6.301(c), which states that an award based on other than full and open competition shall not be justified based on a lack of advance planning.

Furthermore, while the first task orders under this IDIQ were FFP, the scope of work was poorly defined, and contractors received different amounts of work for the same price of \$2 million each. In addition, ASTD officials noted that FFP task orders had not worked well overall, except for batches of small pension plans.

Status of Acquisition Planning for Upcoming Actuarial Support Services

For the current IDIQ, four of the contracts expire on November 30, 2021, and the fifth expires on March 2, 2022, due to differences in when they were awarded. As of January 2021, PD and ASTD reached a tentative agreement on the contract pricing type for the next acquisition for actuarial support services but had not finalized the APP. PD officials stated they hoped to issue a solicitation in the spring of 2021.

Recommendations

We recommend that the Office of Management and Administration:

1. Develop and implement a tracking process for existing contracts to determine when to initiate acquisition planning, based on factors such as complexity, major changes to existing contracts, new requirements, RFIs, and new contracts for acquisition planning support.

PBGC's Response and OIG's Evaluation

Resolved. PBGC concurred with the recommendation. OMA stated that PD would review and update guidance on initiating acquisition planning and noted that PD has begun improving acquisition planning. PD also plans to evaluate and improve tracking processes to support acquisition planning beginning as soon as the agency identifies a need. OMA's goal is to complete the planned actions by March 31, 2022.

Closure of this recommendation will occur when PBGC provides documentation of a tracking process for existing contracts to determine when to initiate acquisition planning based on factors such as complexity, major changes to

existing contracts, new requirements, RFIs, and new contracts for acquisition planning support.

2. Develop and implement a mediation or escalation process to resolve disagreements during the acquisition planning process.

PBGC's Response and OIG's Evaluation

Resolved. PBGC concurred with the recommendation. OMA stated that PD will develop and implement a new process for resolving disagreements during the acquisition planning process. The new process will include timeframes for resolution, involve higher-level review outside of PD to facilitate disagreements, and ensure that the Program Office's needs are met while maintaining compliance with the FAR. OMA's goal is to complete the planned actions by March 31, 2022.

Closure of this recommendation will occur when PBGC provides the OIG with documentation of a process to resolve disagreements during the acquisition planning process.

3. Develop and implement a process for proposed procurement support contracts to assess whether the proposed contract is duplicative of PD's capacity, program office expertise, or existing procurement support contracts.

PBGC's Response and OIG's Evaluation

Resolved. PBGC concurred with the recommendation. OMA stated that PD will further build upon the existing Chief Management Officer review process to incorporate additional reviews for procurement support-related requirements. The additional reviews will consider potential duplication of effort in terms of program office expertise and existing procurement support contract resources. The FAR Supplement will be updated to include the revised processes. OMA acknowledged the \$447,780 in funds that could have been put to better use related to this recommendation. OMA's goal is to complete the planned actions by January 31, 2022.

Closure of this recommendation will occur when PBGC provides documentation of the review of proposed procurement support contracts for duplication of existing capacity.

Finding 2: Inefficient Acquisition Planning Led to Contracts Being Awarded Without Performance Standards for Quality and Inadequate Standards for Timeliness

According to FAR 37.603(a), performance “standards shall be measurable and structured to permit an assessment of the contractor’s performance.” In addition, FAR 46.401(a) states, “Quality assurance surveillance plans [QASP] ... should specify- (1) All work requiring surveillance; and (2) The method of surveillance.” However, we found that the multiple award IDIQ contracts did not have performance standards for accuracy and had inadequate performance standards for timeliness. These performance standards problems were because acquisition planning focused on contract pricing type and PBGC had insufficient guidance. As a result, PBGC did not have adequate contractual safeguards over the timeliness or quality of actuarial contractors’ work, which is critical to paying benefits accurately and timely. Finally, insufficient safeguards over accuracy may result in additional costs from contractors’ time spent correcting errors under LH and T&M task orders.

The multiple award IDIQ contracts did not have measurable standards for accuracy although ASTD had a review process for contractors’ main work product, which was the ACR. The ACR brought together all benefit calculations for a pension plan into an actuarial valuation of liabilities, and ASTD used a multi-level review process documented on a checklist to assess ACRs. An ASTD official noted that contractors’ accuracy was a factor in rating their performance for the award of task orders and future contracts. However, the contracts did not specify expectations for accuracy.

In addition, the contracts’ timeliness standards did not allow PBGC to assess performance uniformly across the five contractors. Instead, each contractor proposed its own QASP with varying timelines for completing work products. Although the solicitation stated that PBGC would use the QASPs submitted by offerors to develop a final QASP, this did not occur, leaving PBGC with the five different QASPs submitted by the contractors. FAR 37.604 explains that the government may prepare the QASP or have offerors submit proposed QASPs for the government to consider in developing its QASP. In addition, while the contracts included deadlines for various work products, these deadlines were for submitting draft products for ASTD to review, not for final products after completing any necessary revisions.

These deficiencies occurred because disagreements about contract pricing type consumed acquisition planning time and diminished the focus on other areas, such as performance standards. In addition, PBGC did not have guidance on working with QASPs proposed by offerors. Instead, the April 2015 PD SOP and the September 2020

PBGCFARS stated that the QASP should be included in the solicitation. Furthermore, PBGC's APP tool did not include items identifying potential performance standards or existing quality assurance processes.

As a result, PBGC did not have adequate contractual safeguards over the timeliness or quality of actuarial contractors' work, which requires high accuracy to determine benefit amounts and PBGC's related liabilities. While ASTD officials stated that the quality of actuarial contractors' work was generally good, they also noted that newer contractors had a significant learning curve. In addition, PBGC assessed the five contractors' timeliness differently due to differences in their QASPs.

Finally, insufficient safeguards over accuracy may result in additional costs from contractors' time spent correcting errors under LH and T&M task orders. As of March 1, 2021, PBGC obligated \$57.3 million on LH and T&M task orders, which represents 70% of the total spending under the IDIQ and indicates the importance of adequate performance standards to reduce the costs of correcting errors.

Recommendations

We recommend that the Office of Management and Administration:

4. Develop and implement a process during acquisition planning to identify performance areas in need of measurable performance standards for contractors and any existing processes that could be incorporated into the contracts to measure performance.

PBGC's Response and OIG's Evaluation

Resolved. PBGC concurred with the recommendation. OMA stated that PD has developed and implemented a process to ensure that the performance standards are considered early in the acquisition planning process and developed in line with the agency's strategic goals, performance strategies, and the performance objectives identified in the Advance Procurement Plan. PD will expand this process to ensure that adequate performance standards, specifically addressing accuracy and timeliness, are incorporated into the resultant contract. OMA's goal is to complete the planned actions by January 31, 2022.

Closure of this recommendation will occur when PBGC provides documentation of a process during acquisition planning to identify performance areas in need of measurable performance standards for contractors and existing processes that could be incorporated into contracts to measure performance.

5. Develop guidance for reviewing and revising QASPs proposed by offerors.

PBGC's Response and OIG's Evaluation

Resolved. PBGC concurred with the recommendation. OMA stated that PD will review guidance on QASPs in the PBGCFARS. OMA's goal is to complete the planned actions by March 31, 2022.

Closure of this recommendation will occur when PBGC provides guidance on reviewing and revising QASPs proposed by offerors.

Other Matters: Likely Influx of Plans Due to COVID-19 Requires Continued Vigilance

PBGC is preparing to trustee an influx of pension plans as plan sponsors' bankruptcy risk increases due to the COVID-19 pandemic. PBGC has seen an increase in plan terminations and bankruptcies. The previous recession increased trustee plans in FYs 2010-2012 and created a backlog of plans for actuarial and other contractors to process. To close a recommendation from a 2010 OIG report on preparations for a workload surge,² PBGC noted that OBA would work with other departments to determine resources needed and whether to use new or existing contracts for an influx of plans. In addition, PBGC required bidders on the current IDIQ for actuarial support services to describe how they would respond to a workload surge as part of the evaluation factors for the award. Finally, an ASTD official reported that ASTD will be able to use task orders under the current IDIQ if there is a surge. PBGC's continued efforts will be vital to effectively handling a workload surge and reducing delays in processing trustee plans.

² PBGC OIG EVAL 2011-1/ PA-09-65, *Evaluation of PBGC's Strategic Preparations for a Potential Workload Influx* (November 16, 2010).

Appendix I: Objective, Scope, and Methodology

Objective

Our objective was to evaluate PBGC's compliance with applicable Federal Acquisition Regulations and PBGC policies regarding the acquisition planning, awarding, and oversight of the actuarial support services IDIQ contract vehicle and selected task orders. During this phase of the evaluation, we focused on acquisition planning.

Scope

Our scope was limited to acquisition planning for the five current multiple award IDIQ contracts for actuarial support services. We performed fieldwork at PBGC headquarters in Washington, DC, from December 2019 through March 2020. The COVID-19 pandemic and related telework guidance resulted in remote fieldwork from March 2020 through May 2020. We paused work on this evaluation due to an urgent assignment and completed fieldwork remotely from January 2021 through February 2021.

Methodology

We selected the five current multiple award IDIQ contracts for evaluation through analysis to identify high-risk contracts. To answer our objective, we interviewed PD, ASTD, and QMD personnel involved in acquisition planning. We analyzed criteria related to acquisition planning, including the FAR, PBGCFARS, PBGC Directives, PD SOP, and PD Customer Handbook. We analyzed contract documents with respect to FAR guidance on acquisition planning.

We conducted this engagement in accordance with the Council of the Inspectors General on Integrity and Efficiency's Quality Standards for Inspection and Evaluation. Those standards require that we plan and perform the engagement to obtain sufficient and appropriate evidence to provide a reasonable basis for our conclusions and observations based on our objective. We believe that the evidence obtained provided a reasonable basis for our conclusions and observations based on our evaluation objective. Accordingly, the evaluation included tests of controls and compliance with laws and regulations to the extent necessary to satisfy the evaluation objective. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our evaluation. Finally, we partially relied on computer-processed data to satisfy our evaluation objective. We

relied on previous audit work regarding the reliability of the computer-processed data we used and deemed the data to be sufficiently reliable.

Appendix II: Agency Response



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

May 26, 2021

To: Nick Novak
Inspector General

JULIET FELENT Digitally signed by JULIET FELENT
Date: 2021.05.26 19:13:51 -0400

From: for
Alice Maroni
Chief Management Officer

Subject: Response to OIG's Draft Report on Actuarial Support Services Acquisition Planning

Thank you for the opportunity to comment on the Office of Inspector General's (OIG) draft report, received May 10, 2021, relating to the acquisition planning and procurement of Pension Benefit Guaranty Corporation's (PBGC) Actuarial Support Services requirements (Project No. EV-20-143). Your office's work on this is sincerely appreciated.

PBGC management met with the representatives from the OIG on May 6, 2021, 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 concurs with the report's findings and recommendations and acknowledges the \$447,780 funds could have been put to better use per Finding 1, Recommendation 3. 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: David Foley, Chief, OBA
Bob Scherer, CIO
Frank Pace, Director, CCRD
Scott Young, Director, ASTD
Juliet Felent, Director, PD

Our comments on the specific recommendations in the draft report are as follows:

1. **Develop and implement a tracking process for existing contracts to determine when to initiate acquisition planning, based on factors such as complexity, major changes to existing contracts, new requirements, RFIs, and new contracts for acquisition planning support. (OIG Control Number 2021-09-01)**

PBGC Response: Management concurs with this recommendation. Since the initial fieldwork for this audit, the Procurement Department (PD) has begun improving the acquisition planning processes. For example, since June 2020, PD initiated bi-weekly meetings with departments that have large or complex procurements. Additionally, beginning in January 2021, PD initiated portfolio reviews with each of the departments. This effort supports identifying and understanding the departments' critical procurement needs and initiates discussions on when procurement packages are needed. These meetings support collaborative early planning and engagement between the contracting officer (CO) and the department. These meetings are a newer effort by PD, and the COs have already noted they can better support the departments needs by staying more regularly engaged, while also providing a regular forum for communication and common understanding.

PD will review guidance on initiating acquisition planning for major, complex, existing, and new requirements and update the PBGC FAR Supplement and PD Customer Handbook. In addition, PD will evaluate tracking processes and improve as necessary to ensure that departments critical procurements needs are proactively identified to support early acquisition planning beginning as soon as the agency identifies the need, preferably well in advance of the fiscal year in which contract award(s) is necessary. This improved tracking process will further improve efficiency in supporting early engagement of the acquisition planning and preventing delayed contract award(s) and, therefore, ensure that the PBGC's needs are met in the most efficient, effective, economical, and timely manner.

Scheduled Completion Date: March 31, 2022.

2. **Develop and implement a mediation or escalation process to resolve disagreements during the acquisition planning process. (OIG Control Number 2021-09-02)**

PBGC Response: Management concurs with this recommendation. PD will develop and implement a new process for resolving disagreements and matters that remain unresolved during the acquisition planning process. The new process will include appropriate timeframes for resolution, involve seeking higher-level review (outside of PD) to facilitate disagreements, and ensure that the Program Office's needs are met while maintaining compliance with Federal Acquisition Regulations (FAR).

Scheduled Completion Date: March 31, 2022.

- 3. Develop and implement a process for proposed procurement support contracts to assess whether the proposed contract is duplicative of PD's capacity, program office expertise, or existing procurement support contracts. (OIG Control Number 2021-09-03)**

PBGC Response: Management concurs with this recommendation. Since November 2020, PD has initiated a Chief Management Officer (CMO)-level review process for all scope of work related to the Office of Management and Administration (OMA), including PD. Additionally, as stated, in the Directive, FM 15-01 Requisition and Acquisition of Supplies and Services (March 2021), Section 7. d. "All procurement actions, including modifications, taken in furtherance of the mission of the Procurement Department (i.e., where the Procurement Department is the requiring activity) shall be subject to legal review by the Office of the General Counsel, and in addition to OGC review, a review by a business unit outside of PD (i.e., OCFO) to ensure that solicitations, awards, and modifications comply with requirements; or PD requirements shall be outsourced to another agency's procurement function." As stated above, the reviews are one step towards preventing duplicative contracts by providing a broader umbrella for review and approval that can look at the nature of the procurement and ensure services have been distilled into a salient and unique requirement.

PD will further build upon the existing Chief Acquisition Officer (CAO)/CMO scope review and approval process to incorporate additional reviews for procurement support-related requirements. The additional reviews will consider potential duplication of effort in terms of program office expertise and existing procurement support contract resources. The CAO/CMO scope review is a required review for any requirement originating in OMA, including PD. The FAR Supplement will be updated to include the revised processes.

Scheduled Completion Date: January 31, 2022.

- 4. Develop and implement a process during acquisition planning to identify performance areas in need of measurable performance standards for contractors and any existing processes that could be incorporated into the contracts to measure performance. (OIG Control Number 2021-09-04)**

PBGC Response: Management concurs with this recommendation. Since the initial fieldwork of this audit, PD has developed and implemented a process to ensure that the performance standards are considered early in the acquisition planning process and developed in line with the agency's strategic goals, performance strategies and the performance objectives identified in the Advance Procurement Plan. PD will expand this process to ensure that adequate performance standards, specifically addressing accuracy and timeliness, are incorporated into the resultant contract.

Scheduled Completion Date: January 31, 2022.

ATTACHMENT

5. Develop guidance for reviewing and revising QASPs proposed by offerors. (OIG Control Number 2021-09-05)

PBGC Response: Management concurs with this recommendation. PD will review its guidance related to the Quality Assurance Surveillance Plans (QASP) in the PBGC FAR Supplement consistent with FAR 37.604.

Scheduled Completion Date: March 31, 2022.

Appendix III: Acronyms

Acronym	Meaning
ACR	Actuarial Case Report
APP	Advance Procurement Plan
ASTD	Actuarial Services and Technology Department
ERISA	Employee Retirement Income Security Act
FAR	Federal Acquisition Regulations
FFP	Firm-Fixed-Price
FY	Fiscal Year
GAO	General Accountability Office
IDIQ	Indefinite Delivery, Indefinite Quantity
LH	Labor-Hour
OBA	Office of Benefits Administration
OIG	Office of the Inspector General
OMA	Office of Management and Administration
PBGC	Pension Benefit Guaranty Corporation
PBGCFARS	PBGC FAR Supplement
PD	Procurement Department
QASP	Quality Assurance Surveillance Plans
QMD	Quality Management Department
RFI	Request for Information
T&M	Time-and-Materials

Appendix IV: Summary of Funds Put to Better Use

Funds Put to Better Use	Amount	Associated Recommendation
<u>Finding 1</u> – Payment for Duplicative Services [obligated to Company B for requirements generation]	\$447,780	3
Total monetary impact	\$447,780	

Appendix V: Staff Acknowledgement

Staff Acknowledgement

John Seger, AIGA (former Audit Manager); Kara Burt, Audit Manager (former Auditor-In-Charge); and Tiara Grotte, Auditor, made key contributions to this report.

Appendix VI: 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:

Office of Inspector General
Pension Benefit Guaranty Corporation
1200 K Street, NW, Suite 480
Washington, DC 20005

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.