

Office of Inspector General

Board of Governors of the Federal Reserve System
Bureau of Consumer Financial Protection

External Peer Review Report of the Pension Benefit Guaranty Corporation Office of Inspector General Audit Organization

June 23, 2022



External Peer Review Report of the Pension Benefit Guaranty Corporation Office of Inspector General Audit Organization

Conducted in Washington, DC, by the
Office of Inspector General for the
Board of Governors of the Federal Reserve System and the
Bureau of Consumer Financial Protection

20th Street and Constitution Avenue NW
Mail Center I-2322
Washington, DC 20551

June 23, 2022



Office of Inspector General

Board of Governors of the Federal Reserve System
Bureau of Consumer Financial Protection



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Board of Governors of the Federal Reserve System
Bureau of Consumer Financial Protection

June 23, 2022

Mr. Nicholas J. Novak
Inspector General
Pension Benefit Guaranty Corporation
1200 K Street NW, Suite 480
Washington, DC 20005

Dear Mr. Novak:

Attached is the System Review Report of the *External Peer Review Report of the Pension Benefit Guaranty Corporation Office of Inspector General Audit Organization*. The peer review was compiled in accordance with *Government Auditing Standards*, issued by the comptroller general of the United States, and the Council of the Inspectors General on Integrity and Efficiency's *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*. Your response to the draft report is included in appendix B.

We appreciate the cooperation and courtesies extended to our staff during the review.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Bialek", written in a cursive style.

Mark Bialek
Inspector General



System Review Report

June 23, 2022

Nicholas J. Novak
Inspector General
Pension Benefit Guaranty Corporation
1200 K Street NW, Suite 480
Washington, DC 20005

Dear Inspector General Novak:

We have reviewed the system of quality control for the audit organization of the Pension Benefit Guaranty Corporation (PBGC) Office of Inspector General in effect for the year ended September 30, 2021. A system of quality control encompasses an organization's structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming in all material respects with *Government Auditing Standards*, issued by the comptroller general of the United States, and applicable legal and regulatory requirements.¹ The elements of quality control are described in *Government Auditing Standards*.

In our opinion, the system of quality control for the audit organization of the PBGC OIG in effect for the year ended September 30, 2021, has been suitably designed and complied with to provide the PBGC OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards and applicable legal and regulatory requirements in all material respects.

Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. The PBGC OIG has received an external peer review rating of *pass*.

In addition to reviewing the system of quality control to ensure adherence with *Government Auditing Standards*, we applied certain limited procedures in accordance with guidance established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE) related to the PBGC OIG's monitoring of engagements conducted in accordance with generally accepted government auditing standards (GAGAS) by independent public accountants (IPAs) under contract wherein the IPA served as the auditor. It should be noted that the monitoring of GAGAS engagements performed by IPAs is not an audit and, therefore, is not subject to the requirements of *Government Auditing Standards*. The purpose of our limited procedures was to determine whether the PBGC OIG had controls to ensure that the IPAs performed the contracted work in accordance with professional standards. However, our objective was not to express an opinion; accordingly, we do not express an opinion on the PBGC OIG's monitoring of work performed by IPAs.

¹ The 3-year peer review period is covered by the previous version of *Government Auditing Standards*, issued December 2011, and the current version of *Government Auditing Standards*, issued July 2018 (updated April 2021).

We have issued a letter dated June 23, 2022, that sets forth a finding that was not considered to be of sufficient significance to affect our opinion as expressed in this report.

Basis of Opinion

Our review was conducted in accordance with *Government Auditing Standards* and CIGIE's *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*.

During our review, we interviewed PBGC OIG employees and obtained an understanding of the nature of the PBGC OIG audit organization and the design of the PBGC OIG's system of quality control to an extent sufficient to assess the risks implicit in its audit function.² Based on our assessments, we selected the only GAGAS engagement issued during our scope period and the associated administrative files to test for conformity with professional standards and compliance with the PBGC OIG's system of quality control. The GAGAS engagement we reviewed is representative of the work of the PBGC OIG audit organization.

In performing our review, we obtained an understanding of the system of quality control for the PBGC OIG audit organization. In addition, we tested compliance with the PBGC OIG's quality control policies and procedures to the extent we considered appropriate.³ These tests covered the application of the PBGC OIG's policies and procedures on the selected GAGAS engagement. Our review was based on selected tests; therefore, it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it.

Prior to concluding the peer review, we reassessed the adequacy of the scope of the peer review procedures and met virtually with PBGC OIG management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion. Appendix A to this report identifies the PBGC OIG office that we corresponded with and the engagement we reviewed.

Responsibilities and Limitation

The PBGC OIG is responsible for establishing and maintaining a system of quality control designed to provide it with reasonable assurance that the organization and its personnel comply in all material respects with professional standards and applicable legal and regulatory requirements. Our responsibility is to express an opinion on the design of the PBGC OIG's system of quality control and the PBGC OIG's compliance, based on our review.

There are inherent limitations in the effectiveness of any system of quality control; therefore, noncompliance with the system of quality control may occur and may not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions or because the degree of compliance with the policies or procedures may deteriorate.

² PBGC OIG employees completed staff questionnaires while working remotely during the COVID-19 pandemic.

³ We incorporated certain procedures in our testing, for example, those related to indexing and referencing and the review process of the PBGC's quality control checklist.

We appreciate the cooperation and courtesies extended to our staff during the review.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Bialek". The signature is fluid and cursive, with the first name "Mark" being more prominent and the last name "Bialek" following in a similar style.

Mark Bialek
Inspector General



Appendix A: Scope and Methodology

We tested the PBGC OIG audit organization’s compliance with its system of quality control to the extent we considered appropriate. These tests included a review of the only engagement report that was conducted in accordance with GAGAS and issued during the October 1, 2020–September 30, 2021, time frame. We also reviewed the internal quality control reviews performed by the PBGC OIG.

In addition, we reviewed the PBGC OIG’s monitoring of GAGAS engagements performed by IPAs in which the IPA served as the auditor conducted during the October 1, 2020–September 30, 2021, time frame. Specifically, we reviewed the fiscal year 2020 and 2019 financial statement audit of the PBGC, conducted by an IPA contractor for the PBGC OIG. The PBGC OIG also contracted for other engagements that were performed in accordance with GAGAS.

We corresponded with the PBGC OIG office located in Washington, DC.

Reviewed PBGC OIG GAGAS Engagement

Report no.	Report date	Report title
AUD-2021-01	December 8, 2020	<i>Internal Controls Must Be Strengthened to Promote Procurement Integrity</i>

Reviewed Monitoring Files of the PBGC OIG for IPA-Contracted GAGAS Engagement

Report no.	Report date	Report title
AUD-2021-02	December 9, 2020	<i>Audit of the Pension Benefit Guaranty Corporation’s Fiscal Year 2020 and 2019 Financial Statements</i>

Appendix B: Management Response



Office of Inspector General

June 15, 2022

Mark Bialek
Inspector General
Office of Inspector General
Board of Governors of the Federal Reserve System
Bureau of Consumer Financial Protection
20th Street and Constitution Avenue NW
Washington, D.C. 20551

SUBJECT: Management's Response to Peer Review System Review Report

Dear Mr. Bialek,

We have reviewed the draft Peer Review System Review Report provided to our office on June 6, 2022.

We are pleased that your peer review team determined the system of quality control for the PBGC OIG in effect for the year ended September 30, 2021 has been suitably designed and complied with to provide the PBGC OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards and applicable legal and regulatory requirements in all material respects.

We have no comments to the Peer Review System Review Report, and again we thank your team for its work and observations.

Sincerely,

NICHOLAS
NOVAK

Digitally signed by
NICHOLAS NOVAK
Date: 2022.06.15
09:15:35 -04'00'

Nicholas J. Novak
Inspector General

Contact Information

General

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Report fraud, waste, and abuse.

Those suspecting possible wrongdoing may contact the
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OIG Hotline

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