

PENSION BENEFIT GUARANTY CORPORATION
OFFICE OF INSPECTOR GENERAL

SEMIANNUAL REPORT
TO CONGRESS

For the Period April 1, 2017 to September 30, 2017



SARC No. 57

Our Value Framework

Principles

Integrity – Respect – Excellence

Vision

Providing deep knowledge and sensible solutions through independent, positive engagement

Mission

Conduct independent and objective audits and investigations of PBGC programs and operations

Provide leadership to promote efficiency and effectiveness

Prevent and detect fraud and abuse in PBGC programs and operations

Keep the Board and Congress fully and currently informed about problems and deficiencies

Report immediately to the Board whenever the Inspector General becomes aware of any particularly serious or flagrant problems

Report expeditiously to the Attorney General whenever the Inspector General has reasonable grounds to believe there has been a violation of federal criminal law

Pillars

People Focused – Process Oriented – Performance Driven

From the Inspector General



Robert A. Westbrooks

The Board of Directors
Pension Benefit Guaranty Corporation

I am pleased to present this Semiannual Report summarizing the activities of our office for the period April 1, 2017 through September 30, 2017, and proud to report two major OIG achievements this fiscal year.

In fiscal year 2017, we issued a record 17 audit and related reports to management. These reports covered the full range of OIG work products (e.g., audits, evaluations, inspections, risk advisories, special reports, and agreed-upon procedures reports), and provided management, the Board, and the Congress with independent insights into a wide range of PBGC programs and operations. Not only did our productivity reach new heights, our employee engagement as reflected in our Federal Employee Viewpoint Survey scores, hit an historic high. Our scores increased significantly across-the-board; this is the result of sustained attention on optimizing our workplace culture. While we have more work to do as we continue on our path to leading edge in the OIG and accountability community, it is important to recognize and celebrate this achievement. I want to thank all OIG staff, including former Chief of Staff Bill Owens who retired from federal service in July. Bill played a major leadership role these past two years and we would not be as productive or engaged were it not for his efforts.

Management continues to provide significant attention to implementing audit recommendations. At the end of this reporting period, there are 84 unimplemented audit recommendations, and management submitted 45 audit recommendation closure packages that we will review during the FY 2017 financial statement audit.

I once again thank the Board, Board staff, PBGC Director Tom Reeder and his senior leaders for their ongoing support of our efforts to improve PBGC programs and operations.

Respectfully submitted,

A handwritten signature in black ink that reads "Robert A. Westbrooks". The signature is written in a cursive, flowing style.

Robert A. Westbrooks
Inspector General

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Statement Regarding Plain Writing

We strive to follow the Plain Writing Act of 2010. The Act requires that government documents be clear, concise, well-organized, and follow other best practices appropriate to the subject or field and intended audience. The abbreviations we use in this report are listed below.

Abbreviations

BAPD	Benefits Administration and Payment Department
BCV	Benefit Calculation and Valuation
CCRD	Corporate Controls and Reviews Department
CFR	Code of Federal Regulations
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CLA	CliftonLarsonAllen, LLP
DOJ	U.S. Department of Justice
ERISA	Employee Retirement Income Security Act of 1974
ERM	Enterprise Risk Management
FDIC	Federal Deposit Insurance Corporation
FHFA	Federal Housing Finance Agency
FISMA	Federal Information Security Modernization Act
FY	Fiscal Year
GAO	Government Accountability Office
HHS	Department of Health and Human Services
IPA	Independent Public Accounting Firm
IPIA	Improper Payment Information Act
IPVFB	Integrated Present Value of Future Benefits
IT	Information Technology
ITIOD	IT Infrastructure Operations Department
MAP-21	Moving Ahead for Progress in the 21 st Century Act
ME	Multiemployer
MEPD	Multiemployer Program Division
NIST	National Institute of Standards and Technology
OBA	Office of Benefits Administration
OGC	Office of General Counsel
OIG	Office of Inspector General
OIT	Office of Information Technology
OMB	Office of Management and Budget
PAE	Plan Asset Evaluation
PDR	Participant Data Review
PMP	Participant Management Program
PBGC	Pension Benefit Guaranty Corporation
PII	Personally Identifiable Information

PD	Procurement Department
SARC	Semiannual Report to Congress
SEC	Securities and Exchange Commission
SSA	Social Security Administration
STCD	Standard Terminations Compliance Division
TEP	Technical Evaluation Panel
U.S.C.	United States Code

Executive Summary

During the period April 1, 2017 through September 30, 2017, we:

- Closed 11 audit recommendations and issued 9 new audit recommendations. The total number of open audit recommendations is 84. (Page 17)
- Issued the following reports:
 - **FY 2016 Improper Payments Evaluation.** PBGC complied with improper payment requirements and financial assistance and contractor payment streams were not susceptible to significant improper payments. (Page 17)
 - **Administrative Expenses for Insolvent Multiemployer Plans.** PBGC adequately ensured that financial assistance recurring administrative expenses were reasonable, necessary, and adequately supported. However, we identified opportunities where PBGC could strengthen data quality and monitoring to ensure recurring administrative expenses for financial assistance are necessary and reasonable. (Page 17)
 - **Premiums: Ways to Improve Exemption Determinations.** PBGC's premium exemption determinations can be improved with additional supporting documentation. (Page 18)
 - **Special Report on Antideficiency Act Conclusion.** PBGC's conclusion regarding the reporting and recording of its multi-year lease obligations was not consistent with legal authority interpreting the Act, decisions of other agencies to report similar violations of the Act, and PBGC's own decision to report a violation of the Act in another matter. (Page 20)
 - **Risk Advisory: Personally Identifiable Information (PII) and Data Loss Prevention Controls.** We identified for management and the Board weaknesses in controls to prevent the loss of sensitive data and made suggestions to mitigate this risk. (Page 20)
 - **Inspection of Government Purchase Card Program.** We found no fraudulent, improper, or abusive purchases during the period under review. However, we identified opportunities for PBGC to strengthen fraud prevention and program oversight. (Page 20)
- Began the **Deceased Participants Computer Matching Program.** We initiated a computer matching program to identify PBGC benefits being paid to deceased participants.

To date, we have identified 13 such cases. One case resulted in an indictment, two other cases are under consideration by prosecutors, and we referred 10 cases to the Office of Benefits Administration for termination of benefit payments and recoupment. (Page 13)

Background

The Pension Benefit Guaranty Corporation

The Employee Retirement Income Security Act of 1974 established the Pension Benefit Guaranty Corporation within the U.S. Department of Labor to administer the pension insurance program. ERISA requires that PBGC: (1) encourage the continuation and maintenance of voluntary private pension plans, (2) provide for the timely and uninterrupted payment of pension benefits to participants and beneficiaries, and (3) maintain premiums at the lowest level consistent with carrying out PBGC's obligations.

PBGC is responsible for protecting the pensions of nearly 40 million American workers in nearly 24,000 private sector defined benefit plans. The Corporation receives no general tax revenues. It manages about \$100 billion in assets financed by insurance premiums from its single-employer and multiemployer pension insurance programs, investment income, and the assets of terminated plans. In 2016, PBGC paid \$5.7 billion in monthly retirement benefits to nearly 840,000 retirees in some 4,700 single-employer plans. It also paid \$113 million in financial assistance to 65 multiemployer plans.¹

PBGC faces significant, long-standing, and well-known risks. With the premium base declining as fewer employers offer defined benefit plans, both pension insurance programs face long-term funding challenges; but the financial condition of the multiemployer program is particularly dire. In 2003, the Government Accountability Office (GAO) designated the single-employer pension insurance program as high risk, and GAO added the multiemployer pension insurance program to its high-risk list in 2009. At the end of FY 2016, PBGC's net deficit in the combined programs was \$79 billion. PBGC's estimate of the reasonably possible exposure to loss in the single-employer program is \$223 billion; the reasonably possible exposure in the multi-employer program is \$19 billion. According to the PBGC FY 2016 Projections Report, the multiemployer pension insurance program is likely to run out of money by the end of FY 2025.

PBGC's governance structure is comprised of the Board of Directors, their Board Representatives, the Advisory Committee, a Presidentially-appointed and Senate-confirmed Director, and PBGC Executives. PBGC is also subject to Congressional oversight. Other

¹ Unless otherwise cited, the figures contained in this section are based on PBGC's 2016 Annual Report.

elements of governance include PBGC's system of internal control, its clearly articulated authority under ERISA to act, and PBGC's operational policies and procedures. PBGC governance is complex and requires those who are charged with its oversight to view the Corporation from different perspectives. Oversight by the PBGC Board, PBGC management, and OIG is critical to effective corporate governance.

The Office of Inspector General

The PBGC Office of Inspector General was created under the 1988 amendments to the Inspector General Act of 1978. We provide independent and objective audits, inspections, evaluations, and investigations to help Congress, the Board of Directors, and PBGC protect the pension benefits of American workers.

We are organizationally independent from the Corporation, with the Inspector General reporting to the Board of Directors. Under Public Law 112-141, the Inspector General must attend at least two Board meetings per year "to provide a report on the activities and findings of the Inspector General, including with respect to monitoring and review of the operations of the corporation."

The OIG executive leadership team currently consists of the Inspector General and Chief Counsel. An Assistant Inspector General for Audits leads our audit staff and an Assistant Inspector General for Investigations leads our investigative staff. An Administrative Officer supports office operations.

Our office operates in compliance with the *Quality Standards for Federal Offices of Inspector General* issued by the Council of the Inspectors General on Integrity and Efficiency. Our audits are performed in compliance with *Generally Accepted Government Auditing Standards* issued by the Comptroller General of the United States. Our evaluations and inspections work are performed in compliance with the *CIGIE Quality Standards for Inspection and Evaluation* and investigations are conducted in compliance with the *CIGIE Quality Standards for Investigations*.

We strive to provide deep knowledge and sensible solutions through independent, positive engagement. We focus our available resources on high-risk areas and continuously seek ways to increase value to our stakeholders.

We also actively participate in and support OIG community activities. In May 2017, the Inspector General was elected to chair the Professional Development Committee of the Council of the Inspectors General for Integrity and Efficiency and serve on the CIGIE Executive Council. During this past year, the Inspector General spoke on leadership and enterprise risk management at several public forums sponsored by the Partnership for Public Service, the Association of Government Accountants, and the American University. Our Assistant Inspector General for Audits represents our office on the CIGIE Inspections and Evaluations Committee.

Management Challenges

Information Security

PBGC is dependent on information systems and electronic data to carry out its mission of paying participants on time and in the correct amount and to accurately report essential information to policy makers and other stakeholders. Protecting PBGC networks, systems, and data is a long-standing and continuing management challenge. Entity-wide Security Program Planning and Management and Access Controls and Configuration Management were reported as significant deficiencies on the FY 2016 report on internal controls related to the financial statement audit. Management has made some progress in these areas. In prior years, they were reported as material weaknesses resulting in an adverse opinion on internal control, but were downgraded to significant deficiencies in the FY 2015 report on internal controls.

Information security is, unfortunately, a government-wide challenge, and the security of federal cyber assets has been on the Government Accountability Office's High-Risk List since 1997. In 2015, GAO added to its list the protection of the privacy of personally identifiable information (PII). As stated in Office of Management and Budget memorandum M-17-12, *Preparing for and Responding to a Breach of Personally Identifiable Information*, "The unprecedented volume of PII maintained by the Federal Government today, coupled with the rapidly evolving threat and risk landscape, necessitate that agencies take an aggressive approach to protecting Federal information resources." The recent data breaches at the FDIC and SEC are reminders of the threats, vulnerabilities, and need for vigilance.

Our FY 2016 Federal Information Security Modernization Act audit found that PBGC made progress improving its information security program; however, additional action is needed. Specifically, PBGC needs to complete implementation of its information system continuous monitoring program and bolster its anti-phishing and malware defenses. We reported 20 new recommendations based on the results of our FY 2016 independent evaluation, in addition to 8 FISMA-related recommendations reported in the FY 2016 internal control report. We have also separately reported to management our concerns relating to control weaknesses in its data loss prevention program.

Continued focus and efforts are needed to ensure further improvements in PBGC's information security posture so that it can remain agile in the rapidly changing threat environment. The Corporation also needs to swiftly adopt the latest NIST federal security standards and OMB requirements.

Modernization of PBGC's Key Benefits-Related Information Technology Systems

PBGC relies upon obsolete technology and legacy information systems to perform its essential service of ensuring retirees receive their correct pension amount. In the FY 2016 financial statement audit, we identified the Office of Benefits Administration's (OBA) controls over the present value of future benefit liability as a significant deficiency. Management has made some progress in this area, which was reflected in the condition being downgraded in severity from a material weakness in FY 2015.

The Participant Management Program (PMP) is the consolidation of the Integrated Present Value of Future Benefits (IPVFB); Benefits Administration, Benefit Calculation and Valuation (BCV); and other related IT systems. Reporting and budgeting for these systems were consolidated to bring all the Office of Benefits Administration systems under one umbrella, as they depend on each other to calculate and pay benefits to participants. PMP provides the capability to administer benefits to over 1.5 million current and future payees in PBGC trustee plans, and facilitates payments to nearly 900,000 retirees or their beneficiaries with benefits totaling \$5.5 billion. The IPVFB system calculates the present value of the future liabilities for pension payments to retirees that is reported in PBGC's financial statements. In the FY 2016 annual report, the IPVFB liability increased to \$113 billion from \$106 billion. BCV system values benefits at the Date of Plan Termination, and provides future retirement calculation.

PBGC continues to modernize its PMP IT systems, some of which are the subject of a number of open audit recommendations. Planned for the BCV system is a modernization project that will include multiple phases over a five-year period using the agile development methodology. According to OMB's ITdashboard.gov, total spending for FY 2017 was \$22.3 million, and 3 of 4 PBGC investment projects are behind schedule with schedule variances of nearly 60 percent.

Transparency of the cost and deliverables of individual projects that make up PMP modernization remains a concern. Despite the critical nature of these systems and the millions of dollars invested, there is not enough information about each system's project costs in the public domain to provide for meaningful public accountability.

We continue to identify this modernization effort as a top management challenge and will provide oversight in light of the critical nature of the systems, PBGC's history of challenges in integrating its financial management systems, and its reliance on professional services contract support.

Transparency and Accountability of Professional Services Contracting

PBGC is highly-dependent on contract staff to conduct its work, which includes providing IT support, developing and assessing internal controls, and calculating and paying pension benefits.

OBA has approximately 275 federal employees supported by over 800 contractor staff. Within these totals, OBA's five field offices, which oversee benefit administration activities for terminated defined benefit plans, are staffed with about 270 contract staff. OIT has approximately 120 federal employees supported by roughly 440 contract staff to operate, maintain and secure PBGC's network, systems, and services. This staffing model has raised concerns in the past regarding inherently governmental functions and the technical ability of a sufficient number of federal employees to effectively oversee contract deliverables.

PBGC's workload influx plan in the event of a dramatic increase in plan failures depends on scalable contractor support to perform critical plan asset evaluations (PAEs), participant data reviews (PDRs), actuarial valuations services, and data collection. This plan was sufficiently detailed for our office to recently close an outstanding audit recommendation, but it nevertheless remains untested.

Our office has raised concerns for many years about PBGC management's oversight of professional services contracts. More recently, we have reported on management's oversight of expert consultant contracts, weaknesses in controls to prevent conflicts of interest among technical evaluation panel members, and concerns over contracts that include closely aligned firm-fixed-price and labor-hour type tasks. We note that the Procurement Department has taken some steps to mitigate this risk. Sufficient and effective oversight is a shared responsibility, though, and this remains a top management challenge.

In Focus

Deceased Participant Fraud Identified Through PBGC OIG's Computer Matching Initiative

In February 2017, our investigators initiated a proactive data matching project to identify deceased participants to whom PBGC may still be paying pension benefits.

We compared the names of PBGC participants with data from the Department of Health and Human Services (HHS) to determine if a participant was a Medicare beneficiary who was deceased or had not received benefits in the last three years and, therefore, may be deceased. We then confirmed the death of these participants through state records.

To date, we have identified 13 deceased participants and total fraudulent payments exceeding \$275,000 (questioned costs). We also prevented

the future payment of \$59,000 in benefits. In July, we obtained an indictment in the Northern District of Ohio in a case involving a man who fraudulently received \$82,000 in PBGC benefits for over 14 years after a participant had passed away. We have other possible prosecutions pending and referred 11 cases to Office of Benefits Administration for termination of payments and/or recoupment.

Inspector General Empowerment Act of 2016 and the Computer Matching Act Exemption

On December 16, 2016, the President signed H.R. 6450, the *Inspector General Empowerment Act of 2016*, into law. The Act amends the Inspector General Act of 1978, providing additional authorities and flexibilities to Inspectors General.

In addition to reiterating that OIGs shall have full and prompt access to all agency documents, the Act exempts OIGs from Computer Matching and Privacy Protection Act requirements, allowing OIGs to conduct a computerized comparison of two or more automated Federal systems of records during investigations, audits, inspections, or reviews.

Computer matching is a powerful tool for OIGs, and can aid in the identification of deceased participant fraud.

Who to contact if you suspect deceased participant fraud?

<https://oig.pbgc.gov/hotline.html>.

Monitoring and Review of PBGC Operations and Control Environment

In addition to our responsibilities under the Inspector General Act, the Moving Ahead for Progress in the 21st Century Act (commonly known as MAP-21) requires that we provide “monitoring and review of the operations of the Corporation” and report our activities and findings at no less than two Board meetings a year. In practice, we attend all of the quarterly Board meetings, and report our observations in both open and executive sessions. In addition, we communicate with the Board Representatives during monthly conference calls and at other times as needed. In order to meet our unique obligation to keep the Board informed, members of our leadership team met regularly (typically monthly) with “C” suite leaders to review operations, obtain the status of corrective actions to address open audit recommendations, and receive periodic briefings on significant operational changes or program developments.

Fraud Management Activities

Management is responsible for managing the risk of fraud in PBGC programs and operations, and the Board is responsible for overseeing the effectiveness of internal controls generally and controls relating to the prevention and detection of fraud. In August 2017, PBGC completed a Fraud Risk Profile and Response Plan. This report contained recommendations for action and was provided to PBGC senior leaders. PBGC also conducted two sessions of an eight-hour *Help Prevent Fraud at PBGC* training course which included a presentation by the OIG. In addition, the director of the Corporate Controls and Reviews Department (CCRD) sent an all PBGC employee email containing information regarding fraud prevention and various avenues for employees to report fraud. CCRD and the OIG are organizationally independent and have different roles, but share a common interest in fraud prevention and detection and communicate regularly on this topic.

Data Privacy Activities

In the course of fulfilling its mission, PBGC acquires, maintains and protects significant amounts of personally identifiable information (PII) and other sensitive information. Federal IT standards require that PII be protected through a combination of measures, including operational safeguards, privacy specific safeguards, and security controls. Breaches of data privacy may be malicious or non-malicious, intentional or accidental. Unfortunately, once sensitive information leaves the PBGC network, these distinctions may not matter. It is critical that PBGC prevent data losses, and detect and respond to data losses as soon as possible to reduce the risk of harm. This involves close coordination and communication between the IT Infrastructure Operations Department (ITIOD), the Enterprise Cybersecurity Division, and the General Counsel’s Privacy Office. To ensure we can conduct our independent oversight, it is also

imperative that the OIG be promptly notified of breaches and provided regular updates to monitor management's activities.

We have observed significant action by the Privacy Office in the area of data loss mitigation activities. In May 2017, for example, a network monitoring tool detected a possible privacy breach by a contractor involving the improper disclosure of unmasked PII. Upon notification, the Privacy Office worked with the information owner and ITIOD to verify that a breach had occurred, the type of information involved, and scope of the improper disclosure. The Privacy Office and the information owner identified impacted individuals, and PBGC notified these individuals of the breach and offered two years of credit monitoring. The General Counsel and Privacy Offices promptly worked with the Procurement Department to take corrective action.

Unfortunately, the biggest threat to data privacy are employees and contractors with network access. Every year in April, the Privacy Office hosts Privacy Week with a series of presentations on data privacy. Periodically throughout the year, the Enterprise Cybersecurity Division conducts phishing emails campaigns to educate insiders on good data-handling practices.

Board Governance Activities

The current Board of Directors held three meetings during this reporting period. In two of these meetings, the Board received the Inspector General's report and met with the Inspector General in executive session. We maintain our organizational independence and ability to provide objective work product to the Congress. At the same time, we provide our observations and findings to the Board to enable it to perform its oversight and governance responsibilities. We thank the Board Chair, Board members, and Board staff for their attention and for setting the tone at the top on issues such as information security, ensuring compliance with laws, internal controls, and fraud prevention and detection.

Management's Responsiveness to OIG Hotline Referrals

The PBGC control environment includes the attitudes and actions of management in response to the possibility of fraud or noncompliance with laws, rules or regulations. We periodically issue Hotline Referrals to management to review and address areas of concern. We retain oversight jurisdiction and conduct a sufficiency review of management's response.

In April 2017, we issued an OIG Hotline Referral to OBA to review and address an allegation that a plan that had been trustee in 1991 included up to 150 ineligible participants. In September 2017, OBA advised OIG that they had partially substantiated the allegation and were taking corrective action. Specifically, OBA determined that 6 ineligible participants were currently in pay status. OBA will stop payments and seek recovery of prior payments, totaling about \$256,000. An additional 7 ineligible participants were set to receive benefits in the future. For these 13 individuals, the present value of future benefits, had the error not been identified,

is \$860,000. PBGC decided to forgo collections on 45 individuals who had received *de minimis* lump sums (including 3 who received monthly annuities who are now deceased), totaling about \$150,000. These payments occurred more than six years ago; therefore, PBGC will not pursue collections of these payments in part due to the six-year statute of limitations. OBA is still reviewing the eligibility of another 6 individuals.

In July 2017, we issued an OIG Hotline Referral to the Procurement Department (PD) to review and address concerns regarding a contract that includes closely aligned firm-fixed-price and labor-hour type tasks. PD reported to our office that they will modify the contract to clarify which tasks are fixed-firm-price and which are labor-hour. Also, the level of effort required for labor-hour tasks will be agreed to by all parties before work is initiated.

Audits, Evaluations, and Reviews

Performance Audits and Related Work

Summary of Performance

Management Decisions	
Open Recommendations	
Beginning of Period	86
Opened This Period	9
Closed This Period	11
Open Recommendations End of Period	84
Reports with Open Recommendations End of Period	20

Evaluation of PBGC's Fiscal Year 2016 Compliance with Improper Payments Elimination and Recovery Act

(EVAL-2017-10/PA-17-117, issued May 4, 2017)

<https://oig.pbgc.gov/pdfs/PA-17-117.pdf>

As required by the Improper Payments Information Act (IPIA) of 2002, as amended, we reviewed PBGC's compliance with improper payment requirements. For this FY, PBGC assessed Payments to Contractors and Multiemployer Financial Assistance Payments and determined the payment streams were not susceptible to significant improper payments. We determined that PBGC is compliant with the improper payment requirements.

Insolvent Multiemployer Plans: Ensuring Administrative Expenses are Reasonable, Necessary, and Adequately Supported

(AUD-2017-11/PA-16-113, issued May 23, 2017)

<https://oig.pbgc.gov/pdfs/PA-16-113.pdf>

We found that MEPD adequately ensured that financial assistance recurring administrative expenses were reasonable, necessary, and adequately supported. For the nine plans we reviewed, MEPD auditors properly assessed multiemployer plans' administrative expenses and processed recurring financial assistance requests. However, we identified two opportunities where MEPD could strengthen data quality and monitoring to ensure recurring administrative expenses for financial assistance are necessary and reasonable. These opportunities do not constitute formal audit recommendations.

Premiums: Ways to Improve Exemption Determinations

(AUD-2017-12/PA-17-116, issued August 1, 2017)

<https://oig.pbgc.gov/pdfs/AUD-2017-12.pdf>

We found that PBGC premium exemption determinations can be improved with additional supporting documentation. For the 19 plans we reviewed, 13 of the exemptions lacked documentation supporting the plan's basis for exemption. We further found that team leaders did not always review coverage exemptions, as required. Lastly, we identified three substantial owner exemptions, granted by PBGC, that require further review. We issued four recommendations to management including updating the Processing and Technical Assistance Branch Manual to require additional supporting documentation, training staff on the manual revisions, reviewing the three plans identified in the report to determine if properly exempted, and updating procedures regarding supervisor review of coverage decisions. PBGC agreed with the four recommendations and plans to complete corrective action by September 30, 2017.

Termination Memo for Audit of Standard Terminations Filings

(Issued August 28, 2017)

<https://oig.pbgc.gov/pdfs/SR-8-28-17.pdf>

We terminated our audit of the standard termination filing process. Our objective was to determine if PBGC effectively and efficiently processed standard termination filings. The scope of the audit was focused on the post-distribution filing of the Form 501 and the diligent search for missing participants. Related to the search for missing participants, PBGC has proposed rule changes to implement amendments to section 4050 of ERISA, and a draft final rule is at the Office of Information and Regulatory Affairs. Given the possible evolving audit criteria, as well as the relative risk of this program, we elected to terminate this project and redeploy audit staff to higher risk areas. Notwithstanding our termination, we reported our observations to management in a memorandum. Our observations related to the assessment of penalties for late filing of a post distribution certificate, and the need for a policy manual update to reflect current procedures regarding the completion of a missing participant's worksheet.

On-Going Performance Audits and Related Work

Audit of Anti-Fraud Controls within the MyPBA Online Service

(Project No. PA-16-115, announced July 14, 2016)

<https://oig.pbgc.gov/pdfs/ANN-PA-16-115.pdf>

We are conducting this audit to assess the effectiveness of internal controls to prevent and detect unauthorized MyPBA transactions.

Audit of PBGC's Compliance with the Requirements of the Digital Accountability and Transparency Act of 2014 for Fiscal Year 2017

(Project No. PA-17-118, announced April 6, 2017)

<https://oig.pbgc.gov/pdfs/LTR-Ann-4-6-17.pdf>

We are conducting an audit to determine PBGC's compliance with DATA Act requirements. The audit objectives are to assess (1) the completeness, timeliness, quality, and accuracy of FY 2017 second quarter financial and award data submitted for publication on USASpending.gov and (2) PBGC's implementation and use of the Government-wide financial data standards established by OMB and the Treasury.

Review of Spectrum 4 Project

(Project No. RV-17-120, announced April 12, 2017)

<https://oig.pbgc.gov/pdfs/LTR-Ann-4-13-17.pdf>

We are conducting a review to determine whether the development and implementation of Spectrum 4 was properly monitored and deliverables met requirements. Specifically, we will review benefit payment operations related to Spectrum's (1) contract requirements, (2) contract modifications, (3) management, and (4) variance resolution between the paying agent and PBGC.

Evaluation of PBGC's Risk Mitigation and Early Warning Program

(Project No. PA-17-122, announced July 17, 2017)

<https://oig.pbgc.gov/pdfs/EWP-Ann-Ltr-7-20-17.pdf>

We are conducting an evaluation to determine the program's effectiveness in achieving its desired results, and assess the volume, nature, and causes of plan sponsor complaints concerning the program.

Special Reports and Inspections

Special Report on Review of PBGC Antideficiency Act Conclusion

Issued May 30, 2017

<https://oig.pbgc.gov/pdfs/SR-5-30-17.pdf>

We contracted with CliftonLarsonAllen LLP (CLA), an independent certified public accounting firm, to audit the PBGC financial statements for the years ended September 30, 2016 and September 30, 2015. In its November 16, 2016 audit report, CLA found a “potential” Antideficiency Act violation arising out of PBGC’s operating leases for all office site locations. Specifically, CLA found PBGC did not record its full contractual obligation under its current multi-year lease arrangements. (Instead, PBGC incrementally funded, on an annual basis, those leases.) Two weeks before CLA’s finding, on November 2, 2016, PBGC’s Office of General Counsel (OGC) issued a memo to PBGC’s Chief Financial Officer, in which OGC concluded “there are no Antideficiency Act issues with respect to the PBGC leases.” OIG determined, however, that OGC’s conclusion that there are no Antideficiency Act issues with respect to PBGC’s 10 year leases is inconsistent with: (1) legal authority interpreting the Act; (2) the decisions of other agencies to report a violation of the Act under similar circumstances; and (3) PBGC’s own report of a violation of the Act in connection with voluntary services by an independent contractor. As a result of our findings and recommendations, PBGC issued a draft Antideficiency Act memo to the Office of Management and Budget for review and comment.

Risk Advisory: Personally Identifiable Information (PII) and Data Loss Prevention Control Weaknesses

(Limited Distribution, issued June 28, 2017)

Non-public

We issued a limited distribution risk advisory to management and the Board of Directors regarding weaknesses in controls to prevent the loss of sensitive data and made suggestions to mitigate this risk. Management responded with planned corrective action.

Inspection of PBGC’s Purchase Card Program

(INSP-2017-13/17-0006-I, issued August 29, 2017)

<https://oig.pbgc.gov/pdfs/INSP-2017-13.pdf>

We reviewed purchase card transactions that occurred between January 2015 and December 2016. We found no fraudulent, improper or abusive purchases during the period under review. However, to prevent and detect such purchases in the future, we identified opportunities for PBGC to strengthen its oversight of the program. These opportunities include: updating the “Included” template on at least a yearly basis and using U.S. Bank’s Payment Analytic tools; enforcing and monitoring Approving Official reviews; documenting Department Director approvals for food purchases; reducing the amount of time for making payments to U.S. Bank; and amending policy to ensure first-offense violations are reported in a timely manner to the

OIG. Additionally, we found that the Corporation could increase its rebate incentives by making more timely payments.

We issued five recommendations based on our findings. Management agreed with the recommendations and based upon their response we have closed all five.

Investigative Activities

Summary of Performance

Criminal Actions	Federal Prosecutors	State or Local Prosecutors
Indictments	1	0
Information	0	1
Convictions	0	1
Sentencings	0	1

During this reporting period, we have continued to ensure that we give high priority to cases involving the financial exploitation of vulnerable participants receiving PBGC pension benefits. These cases involve a relative, caregiver, friend or someone else redirecting and depriving the participants of their hard-earned PBGC pension benefits. We also focus investigative attention on deceased participant fraud and employee conduct issues.

Iowa Woman Arrested for Stealing PBGC Benefits from Vulnerable Participant

In our last Semiannual Report to Congress, we reported on this case involving family members who physically and financially abandoned their 83-year-old father, who suffered from cognitive issues, at a nursing home. The pensioner's daughter-in-law allegedly stole and cashed \$12,543 in PBGC pension and Social Security funds from her father-in-law. On February 28, 2017, the State of Iowa filed felony theft charges against the daughter-in-law. In May 2017, she was arrested in Buffalo, Missouri by the Dallas County Sheriff's Office and later released on her own recognizance. We worked this investigation jointly with the Iowa Medicaid Fraud Control Unit.

Iowa Woman Pleads Guilty to Stealing PBGC Benefits

Based on a referral from PBGC, we identified a caregiver who withdrew payments from a PBGC participant's bank account after her date of death. On June 6, 2017, the woman entered a guilty plea to state theft charges and in July she was sentenced to a suspended 2-year sentence, given 2-years probation, and ordered to pay \$9,337.34 in restitution. We worked this investigation jointly with the Iowa Medicaid Fraud Control Unit.

Ohio Man Indicted for Stealing PBGC Pension Benefits

In July 2017, a Warren, OH man was indicted by a federal grand jury for theft of government funds. Allegedly, he fraudulently received approximately \$82,000 in benefits over 14 years from the PBGC. We worked this case jointly with the Social Security Administration Office of the Inspector General and the United States Postal Inspection Service.

Fraud Prevention Outreach

In July 2017, a PBGC/OIG Special Agent conducted a fraud briefing at the Rosedale Senior Center in Baltimore, Maryland. Rosedale Senior Center provides educational, social, and recreational opportunities for active seniors age 60 years and older. The briefing focused on the exploitation of seniors through financial crimes and physical and emotional abuse. We provided resource materials, including those from Baltimore County, Maryland and the World Health Organization.

Senior Government Employee Substantiated Misconduct Investigations

During this reporting period, we did not complete any investigation involving a senior government employee² where we substantiated an allegation of misconduct.

Closed Investigations

Generally, we do not post detailed descriptions of investigations or investigative reports on our website due to privacy concerns. To provide necessary information for a prosecutor (criminal) or the agency (administrative) to consider appropriate action, the reports contain significant personally-identifiable and other sensitive information. Posting these reports would require significant redactions. However, we do summarize each significant investigation in the Investigative Activities section of our SARC, each of which is posted on our website.

The table below contains a list of closed investigations we did not disclose publicly. The list includes a column (yes or no) to indicate whether the investigation involved a senior Government employee.

Investigation Number	Disposition	Category	Date Closed	Senior Government Employee
16-0019-I	Closed - Final	Pension Benefit Theft - Vulnerable Participant	28Apr2017	No
16-0021-I	Closed - Final	Pension Benefit Theft - Vulnerable Participant	14Aug2017	No
17-0002-I	Closed - Final	Pension Benefit Theft - Vulnerable Participant	18Sep2017	No

² An officer or employee in the executive branch (including a Special Government employee as defined in 18 U.S.C. § 202) who occupies a position classified at or above GS-15 of the General Schedule or, in the case of positions not under the GS, for which the rate of basic pay is equal to or greater than 120 per cent of the minimum rate of basic pay payable for GS-15 of the GS; and any commissioned officer in the Armed Forces in pay grades 0-6 and above.

17-0005-I	Closed - Final	Pension Benefit Theft - Vulnerable Participant	28Apr2017	No
17-0009-I	Closed - Final	Plan Administration Irregularities	28Apr2017	No
17-0012-C	Closed - Complaint to File - No Referral	Pension Benefit Theft - Vulnerable Participant	30Jun2017	No
17-0012-I	Closed - Final	Other	28Apr2017	No
17-0014-H	Hotline Closed - No Action	Participant Benefit Irregularities	03Apr2017	No
17-0015-I	Closed - Final	Other	28Apr2017	No
17-0018-H	Hotline Closed - No Action	Plan Administration Irregularities	05Apr2017	No
17-0019-H	Hotline Closed - No Action	Other	17Apr2017	No
17-0020-H	Hotline Referred to External Agency - No Action	[N/A]	17Apr2017	No
17-0023-I	Closed - Final	Participant Benefit Irregularities	11Sep2017	No
17-0024-C	Closed - Complaint to File - No Referral	Pension Benefit Theft - Deceased Participant	28Apr2017	No
17-0024-I	Closed - Final	Participant Benefit Irregularities	11Sep2017	No
17-0025-C	Closed - Complaint to File - No Referral	[N/A]	28Apr2017	No
17-0025-I	Closed - Final	Participant Benefit Irregularities	11Sep2017	No
17-0026-C	Closed - Complaint to File - No Referral	[N/A]	28Apr2017	No
17-0026-H	Hotline Closed - No Action	Plan Administration Irregularities	09May2017	No
17-0028-H	Hotline Closed - No Action	Other	22May2017	No
17-0029-H	Hotline Closed - No Action	Other	24May2017	No
17-0031-H	Hotline Closed - No Action	Participant Benefit Irregularities	02Jun2017	No
17-0032-H	Hotline Closed - No Action	Other	05Jun2017	No
17-0033-I	Closed - Final	Pension Benefit Theft - Deceased Participant	29Jun2017	No
17-0034-H	Hotline Closed - No Action	[N/A]	07Jun2017	No
17-0035-H	Hotline Closed - No Action	[N/A]	12Jun2017	No
17-0036-H	Hotline Closed - No Action	Other	27Jun2017	No
17-0039-C	Closed - Complaint to File - No Referral	Participant Benefit Irregularities	28Jun2017	No
17-0040-C	Closed Final - Investigation Initiated	Employee Integrity - PBGC	14Aug2017	No
17-0040-H	Hotline Closed - No Action	Participant Benefit Irregularities	02Aug2017	No
17-0041-C	Closed Final - Referred to PBGC for Info. Only; No Response Req'd.	Pension Benefit Theft - Deceased Participant	28Jun2017	No

17-0041-H	Hotline Closed - No Action	Pension Benefit Theft - Vulnerable Participant	13Sep2017	No
17-0042-C	Closed - Complaint to File - No Referral	Participant Benefit Irregularities	24May2017	No
17-0042-H	Hotline Closed - No Action	Plan Administration Irregularities	11Aug2017	No
17-0043-C	Closed - Complaint to File - No Referral	Plan Administration Irregularities	22Sep2017	No
17-0043-H	Hotline Referred to PBGC for Action	Participant Benefit Irregularities	11Aug2017	No
17-0045-C	Closed Final - Referred to PBGC for Info. Only; No Response Req'd.	Participant Benefit Irregularities	17May2017	No
17-0047-C	Closed - Complaint to File - No Referral	Participant Benefit Irregularities	02Jun2017	No
17-0048-H	Hotline Closed - No Action	Participant Benefit Irregularities	01Sep2017	No
17-0049-H	Hotline Closed - No Action	Participant Benefit Irregularities	11Sep2017	No
17-0051-C	Closed - Complaint to File - No Referral	Other	03Aug2017	No
17-0054-C	Closed - Complaint to File - No Referral	Employee Integrity - PBGC	16Aug2017	No
17-0055-C	Closed - Complaint to File - No Referral	Participant Benefit Irregularities	22Sep2017	No
17-0055-H	Hotline Closed - No Action	Participant Benefit Irregularities	18Sep2017	No
17-0056-H	Hotline Closed - No Action	Participant Benefit Irregularities	18Sep2017	No
17-0059-H	Hotline Closed - No Action	Participant Benefit Irregularities	19Sep2017	No
17-0004-H	Hotline Converted to Investigation	Employee Integrity - PBGC	03Apr2017	Yes
17-0004-I	Closed - Final	Employee Integrity - PBGC	17Aug2017	No
17-0008-I	Closed - Final	Pension Benefit Theft - Vulnerable Participant	06Apr2017	No
17-0018-I	Closed - Final	Pension Benefit Theft - Deceased Participant	09May2017	No
17-0020-I	Closed - Final	Pension Benefit Theft - Deceased Participant	23May2017	No
17-0021-H	Hotline Closed - No Action	Other	17Apr2017	No
17-0022-H	Hotline Referred to External Agency - No Action	Other	01May2017	No
17-0023-H	Hotline Closed - No Action	Participant Benefit Irregularities	02Aug2017	No
17-0024-H	Hotline Closed - No Action	Other	08May2017	No
17-0025-H	Hotline Closed - No Action	Other	08May2017	No
17-0030-H	Hotline Closed - No Action	Plan Administration Irregularities	01Jun2017	No

17-0031-C	Closed Final - Investigation Initiated	Pension Benefit Theft - Deceased Participant	05Apr2017	No
17-0032-C	Closed Final - Investigation Initiated	Pension Benefit Theft - Deceased Participant	05Apr2017	No
17-0034-C	Closed Final - Investigation Initiated	Pension Benefit Theft - Deceased Participant	05Apr2017	No
17-0035-C	Closed Final - Investigation Initiated	Pension Benefit Theft - Deceased Participant	05Apr2017	No
17-0036-C	Closed Final - Investigation Initiated	Pension Benefit Theft - Deceased Participant	05Apr2017	No
17-0037-C	Closed Final - Investigation Initiated	Pension Benefit Theft - Deceased Participant	05Apr2017	No
17-0038-C	Closed Final - Investigation Initiated	Pension Benefit Theft - Deceased Participant	18Apr2017	No
17-0038-H	Hotline Closed - No Action	[N/A]	02Aug2017	No
17-0039-H	Hotline Referred to External Agency - No Action	[N/A]	02Aug2017	No
17-0044-H	Hotline Closed - No Action	Other	11Aug2017	No
17-0046-H	Hotline Closed - No Action	Other	01Sep2017	No
17-0047-H	Hotline Closed - No Action	Plan Administration Irregularities	07Sep2017	No
17-0048-C	Closed Final - Investigation Initiated	Pension Benefit Theft - Deceased Participant	14Aug2017	No
17-0049-C	Closed Final - Investigation Initiated	Pension Benefit Theft - Deceased Participant	14Aug2017	No
17-0050-H	Hotline Closed - No Action	Employee Integrity - PBGC	07Sep2017	Yes
17-0053-H	Hotline Closed - No Action	Other	07Sep2017	No
17-0054-H	Hotline Closed - No Action	Other	15Sep2017	No
17-0056-C	Closed - Complaint to File - No Referral	Pension Benefit Theft - Deceased Participant	11Sep2017	No
17-0058-H	Hotline Closed - No Action	Other	18Sep2017	No
15-0016-I	Closed - Final	Other Criminal	13May2017	No
15-0026-C	Closed Final - Referred to PBGC for Action	Fraud/Theft	15May2017	No
15-0026-I	Closed - Final	Pension Benefit Theft - Vulnerable Participant	11Sep2017	No

15-0036-I	Closed - Final	Pension Benefit Theft - Deceased Participant	11Sep2017	No
17-0003-I	Closed - Final	Pension Benefit Theft - Vulnerable Participant	11Sep2017	No
17-0007-H	Hotline Closed - No Action	Other	22May2017	Yes
17-0008-C	Closed Final - Management Response/Action Complete	Non-Criminal	07Apr2017	No
17-0010-I	Closed - Final	Pension Benefit Theft - Vulnerable Participant	03Apr2017	No
17-0012-H	Hotline Closed - No Action	[N/A]	18Apr2017	No
17-0023-C	Closed Final - Investigation Initiated	Employee Integrity - PBGC	14Apr2017	No
17-0028-C	Closed - Complaint to File - No Referral	Other	03Apr2017	Yes
17-0030-I	Closed - Final	Other	11Sep2017	No
17-0033-C	Closed Final - Investigation Initiated	Other	20Apr2017	No
17-0033-H	Hotline Closed - No Action	[N/A]	06Jun2017	No
17-0046-C	Closed - Complaint to File - No Referral	Participant Benefit Irregularities	11Sep2017	No
17-0052-C	Closed - Complaint to File - No Referral	Other	25Sep2017	No
17-0006-I	Closed - Final	Inspections	29Aug2017	No
17-0027-H	Hotline Closed - No Action	Other	18May2017	No
17-0044-C	Closed - Complaint to File - No Referral	Other	10Jul2017	No
17-0045-H	Hotline Referred to PBGC for Information	Other	16Aug2017	No
17-0050-C	Closed - Complaint to File - No Referral	Other	10Jul2017	No
17-0057-C	Closed Final - Referred to Other Entity	Participant Benefit Irregularities	30Aug2017	No

Instances of Whistleblower Retaliation

During this reporting period, we did not complete any investigations of whistleblower retaliation.

Congressional Requests

During this reporting period, we did not receive a Congressional request.

Other OIG Statutory Reporting

Access to Information

Section 6(a) of the Inspector General Act grants the Inspector General access to all agency records, information, or assistance when engaged in an investigation or audit. Whenever access to requested records, information or assistance is unreasonably refused or not provided, the Inspector General must promptly report the denial to the agency head.

We have not been denied access, nor has assistance been unreasonably refused during this reporting period.

Interference with Independence

During the reporting period, PBGC did not attempt to, or actually interfere with, our independence by creating budget constraints to limit our capabilities, nor were there any incidents where PBGC resisted our oversight or delayed our access to information, including the justification of the establishment for such action.

Outstanding Management Comment and Unimplemented Recommendations

There were no audit, inspection, or evaluation reports issued (1) for which no management comment was returned within 60 days of being provided with the report and (2) for which there were outstanding unimplemented recommendations.

Management Decisions

There were no significant revised management decisions and no management decisions of a material nature with which we did not agree.

Review of Proposed Statutory and Regulatory Changes

Under the IG Act, the OIG is responsible for reviewing PBGC proposed changes to laws and regulations. During this reporting period, we did not review or provide comment on any proposed changes to laws or regulatory actions.

Peer Review

Audit: *Generally Accepted Government Auditing Standards* require each audit organization to obtain an external review of its system of quality control every three years and make the results publicly available.

During this period, there were no peer reviews of our Audits, Evaluations and Reviews Division. On June 29, 2016, the National Science Foundation Office of Inspector General issued a report of its External Peer Review of our audit organization and opined that our system of quality control for the year ending September 30, 2015 has been “suitably designed and complied with to provide our office with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.” Audit organizations can receive a rating of pass, pass with deficiencies, or fail. We received an External Peer Review rating of pass. There are no outstanding recommendations from this review. A copy of this peer review is on our website at <http://oig.pbgc.gov/pdfs/PeerReview2016.pdf>.

Our audit organization completed an external peer review of the Federal Housing Finance Agency Office of Inspector General and we issued our report on February 28, 2017. FHFA OIG received a peer review rating of pass.

Investigations: During this period, there were no peer reviews of our Investigations Division. Further, the Investigations Division did not conduct an external peer review or issue any report on an external peer review.

Restricted Access Audit, Inspection or Evaluation Reports

With limited exceptions, we post all audit, inspection and evaluation reports on our website within three days of issuing the final report to PBGC. We generally do not provide or post on our website the full text of reports that would disclose specific vulnerabilities that could be exploited; typically, such reports are IT-related.

We use restricted disclosure and other non-public audit, inspection or evaluation reports to disclose that we have conducted work on sensitive subject matters. However, in lieu of posting full text reports, we post a high-level summary or redacted version, and summarize sensitive matters in our Semiannual Reports to Congress.

The table below contains information on reports that we did not fully disclose to the public.

Report Number	Report Title	Issue Date	Summary
RA-17-121	Risk Advisory on Data Loss Prevention Control Weaknesses	6/28/2017	The limited distribution risk advisory was sent to management and the Board of Directors regarding weaknesses in controls to prevent the loss of sensitive data. Management responded with planned corrective action.

APPENDICES

Cross-Reference to Reporting Requirements of the Inspector General Act

Inspector General Act Reference	Reporting Requirements	Page(s)
Section 4(a)(2)	Review of legislation and regulations.	28
Section 5(a)(1)	Significant problems, abuses, and deficiencies.	10-21
Section 5(a)(2)	Recommendations with respect to significant problems, abuses, and deficiencies.	10-21
Section 5(a)(3)	Prior significant recommendations on which corrective action has not been completed.	34-36
Section 5(a)(4)	Matters referred to prosecutorial authorities.	22
Section 5(a)(5)	Summary of instances in which information was refused.	28
Section 5(a)(6)	List of audit reports by subject matter, showing dollar value of questioned costs and recommendations that funds be put to better use.	37
Section 5(a)(7)	Summary of each particularly significant report.	7, 17-18, 20-21
Section 5(a)(8)	Statistical table showing number of reports and dollar value of questioned costs.	37
Section 5(a)(9)	Statistical table showing number of reports and dollar value of recommendations that funds be put to better use.	37
Section 5(a)(10)	Summaries of each audit, inspection, and evaluation report issued (1) for which no management comment was returned within 60 days of being provided with the report and (2) for which there are outstanding unimplemented recommendations, including the aggregate potential cost savings of those recommendations.	28
Section 5(a)(11)	Significant revised management decisions.	28
Section 5(a)(12)	Significant management decisions with which the Inspector General disagrees.	28
Section 5(a)(14)	Results of peer review.	28-29
Section 5(a)(15)	Outstanding recommendations from any peer review conducted by another OIG.	29
Section 5(a)(16)	Any peer reviews performed of another OIG.	29
Section 5(a)(17)	Statistical table showing, during that reporting period, the: <ul style="list-style-type: none"> • Number of investigative reports issued, • Number of persons referred to DOJ for criminal prosecution, • Number of persons referred to State and Local authorities for criminal prosecution, • Number of criminal indictments and criminal informations resulting from any prior referrals to prospective authorities. 	32-33
Section 5(a)(18)	A description of the metrics used to develop the data for the statistical tables in (a)(17).	33
Section 5(a)(19)	A detailed description of each investigation involving a senior Government employee where allegations of misconduct were substantiated, including: <ul style="list-style-type: none"> • A detailed description of the facts and circumstances of the investigation; and 	

	<ul style="list-style-type: none"> • A detailed description of the status and disposition of the matter, including, if referred to DOJ, the date of referral and, if declined by DOJ, the date of declination. 	23
Section 5(a)(20)	<p>A detailed description of any instance of whistleblower retaliation, including</p> <ul style="list-style-type: none"> • information about the official found to have engaged in retaliation, and • the consequences the agency imposed to hold the official accountable. 	27
Section 5(a)(21)	<p>A detailed description of any attempt by the establishment to interfere with the independence of the OIG, including:</p> <ul style="list-style-type: none"> • with budget constraints designed to limit OIG capabilities; and • incidents where the establishment has resisted OIG oversight or delayed OIG access to information, including the justification of the establishment for such action. 	28
Section 5(a)(22)	<p>A detailed description of the particular circumstances of each:</p> <ul style="list-style-type: none"> • inspection, evaluation, and audit conducted by the OIG that is closed and was not publicly disclosed, and • investigation conducted by the OIG involving a senior Government employee that is closed and was not disclosed to the public. 	29

STATISTICAL SUMMARY OF AUDIT AND INVESTIGATIVE ACTIVITIES

For the Six-Month Period Ending September 30, 2017

Audits/Inspections/Evaluations Issued	
Number of Reports	4
Number of Recommendations	9

Special Reports Issued	
Number of Reports	2
Number of Recommendations	0

Investigative Reports Issued	
Number of Reports	1
Number of Recommendations	0

Management Decisions	
Open Recommendations Beginning of Period	86
Opened This Period	9
Closed This Period	11
Open Recommendations End of Period	84
Reports with Open Recommendations End of Period	20

Investigative Workload	Investigations
Opened	28
Closed	22

Persons Referred for Prosecution	Federal Prosecutors	State or Local Prosecutors
Presented	9	2
Accepted	2	0
Declined	7	2

Criminal Actions	Federal Prosecutors	State or Local Prosecutors
Indictments	1	0
Information	0	1
Convictions	0	1
Sentencings	0	1

Financial Recoveries	Federal Prosecutors	State / Local Prosecutors
Court Ordered Fines, Penalties, and Restitution and Administrative Recoveries	\$0	\$9,337.34
Administrative Actions		
Action Referrals	2	

We used the following metrics to develop the data for the statistical tables above:

- The number of investigative reports issued is based on investigative reports we issued to management for action. This number does not include any investigations that were closed without a referral to management for action.
- The number of persons referred for prosecution includes any person or corporation that was referred to DOJ, state, or local authorities for consideration of criminal prosecution.
- The number of criminal actions includes indictments, informations, convictions and sentencings brought against a person or corporation based on prior referrals to prospective authorities.

2016-08/PA-15-107 Audit of the Effectiveness of PBGC's Governance of Internal Control	1	Risk Assessment	PBGC needs to require participation in the entity-wide risk assessment for all significant program areas.
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RESULTS OF REPORTS ISSUED

For the Six-Month Period Ending September 30, 2017

Results	Number of Reports	Questioned Costs	Unsupported Costs	Funds Put to Better Use
A. For which no management decision had been made by the commencement of the reporting period.	0	\$0	\$0	\$0
B. Which were issued during the reporting period.	7			
Premiums: Ways to Improve Determinations		\$0	\$0	\$0
Insolvent Multiemployer Plans: Ensuring Administrative Expenses are Reasonable, Necessary, and Adequately Supported		\$0	\$0	\$0
Evaluation of PBGC's Fiscal Year 2016 Compliance with Improper Payments Elimination and Recovery		\$0	\$0	\$0
Inspection of PBGC's Purchase Card Program		\$0	\$0	\$0
Review of PBGC Antideficiency Act Conclusion Regarding Multi-year Leases		\$0	\$0	\$0
Hotline Action Memo #17-0015-H		\$256,000	\$0	\$860,000
Deceased Participants Initiative		\$275,000	\$0	\$59,000
Total (Add A. & B.)	7			
C. For which a management decision was made during the reporting period				
(i) dollar value of disallowed costs.	0	\$0	\$0	\$0
(ii) dollar value of costs not disallowed.	0	\$0	\$0	\$0
D. For which no management decision had been made by the end of the reporting period.	0	\$0	\$0	\$0
E. For which no management decision was made within six months of issuance.	0	\$0	\$0	\$0

Summary of PBGC Open Recommendations

As of September 30, 2017

	Rec. Number	Date Issued	Report Title Recommendation
1	BAPD-116	5/14/2013	FY 2012 Financial Statement Audit Management Letter BAPD management should refine their monitoring procedures within the Participant Data Review process to ensure that each reviewer verifies that the staff selects the appropriate sample size in accordance with their prescribed procedures.
2	BD-04	2/2/2017	FY 2016 Financial Statement Audit Management Letter Report Draft and submit for OMB approval funds control regulations that incorporate the required elements as described in OMB A-11, Appendix H.
3	BD-05	2/2/2017	FY 2016 Financial Statement Audit Management Letter Report Develop and maintain a log to record and monitor all realignment of funds requests entered into the Consolidated Financial System by other departments. The log should be reviewed and reconciled to the realignment of funds requests entered into CFS.
4	BD-06	2/2/2017	FY 2016 Financial Statement Audit Management Letter Report Develop a procedures manual detailing the process for processing authorizing realignment of funds requests. The procedures manual should be reviewed and approved by the Budget Director.
5	CCRD-14	2/27/2015	FY 2014 Management Letter PBGC should update their A-123 Internal Control Assessment Procedures to include: (a) Thorough explanation of the criteria and selection process used to determine controls selected for testing on the three-year rotational basis. The rotation plan should allow for management to revise their selections based on changing environment and/or processes and (b) a testing procedure to verify the completeness of the populations' files is performed prior to sampling. If not applicable, CCRD should document its rational/approach for not verifying the completeness of the population.
6	FISMA-14-15	5/6/2015	FY 2014 Federal Information Security Management Act Independent Evaluation Report Develop, document and implement a process for the timely assessment of employees and contractors transferred or promoted to a new position or role to determine whether the risk-level has changed.

7	FISMA-15-01	2/19/2016	FY 2015 Federal Information Security Modernization Act Final Report Fully implement Splunk Enterprise in PBGC, including its SIEM capability.
8	FISMA-15-02	2/19/2016	FY 2015 Federal Information Security Modernization Act Final Report Require system owners to fully implement Splunk Enterprise for PBGC major applications.
9	FISMA-15-03	2/19/2016	FY 2015 Federal Information Security Modernization Act Final Report Ensure the consistent use of the Event Analysis Checklist as part of the event analysis process.
10	FISMA-15-04	2/19/2016	FY 2015 Federal Information Security Modernization Act Final Report PBGC should remove native file transfer protocol from any remaining systems.
11	FISMA-15-05	2/19/2016	FY 2015 Federal Information Security Modernization Act Final Report Perform scheduled credentialed scans to include all the systems and update PBGC policies and procedures to require regular credentialed scans.
12	FISMA-15-07	2/19/2016	FY 2015 Federal Information Security Modernization Act Final Report Evaluate existing controls and determine effectiveness to ensure annual security control assessments are timely completed for all major applications and general support systems.
13	FISMA-15-08	2/19/2016	FY 2015 Federal Information Security Modernization Act Final Report PBGC should increase records management controls and monitoring to ensure all required personnel timely complete role-based training.
14	FISMA-16-01	3/22/2017	FY 2016 Federal Information Security Modernization Act Independent Evaluation Report Complete research on whether 4,100 Oracle service accounts can be made compliant with the new FY 2016 password and lockout standards, while continuing to implement procedures to consistently apply password and account lockout settings for databases.
15	FISMA-16-02	3/22/2017	FY 2016 Federal Information Security Modernization Act Independent Evaluation Report PBGC should ensure that adequate time is provided to complete the account recertification by the deadline.

16	FISMA-16-03	3/22/2017	FY 2016 Federal Information Security Modernization Act Independent Evaluation Report Implement quarterly reviews of the "Status and Archive" to verify system authorization artifacts and information are stored within CSAM.
17	FISMA-16-04	3/22/2017	FY 2016 Federal Information Security Modernization Act Independent Evaluation Report Update PBGC policy to clarify the requirements for maintaining the plan of action and milestone and security assessment report generated for the authorization to operate package.
18	FISMA-16-05	3/22/2017	FY 2016 Federal Information Security Modernization Act Independent Evaluation Report Update the RMF Process to clearly state where system security documentation and artifacts are required to be loaded into CSAM.
19	FISMA-16-06	3/22/2017	FY 2016 Federal Information Security Modernization Act Independent Evaluation Report PBGC should establish its organizational risk tolerance and integrate all organizational processes, procedures, and risks with this risk tolerance.
20	FISMA-16-07	3/22/2017	FY 2016 Federal Information Security Modernization Act Independent Evaluation Report PBGC should ensure adequate staffing for the annual review of major applications and general support systems risk assessments.
21	FISMA-16-08	3/22/2017	FY 2016 Federal Information Security Modernization Act Independent Evaluation Report Update the Information Security Risk Management Framework Process to refer to the Cybersecurity and Privacy Catalog for the requirements for a risk assessment.
22	FISMA-16-09	3/22/2017	FY 2016 Federal Information Security Modernization Act Independent Evaluation Report PBGC should develop and implement a secondary review process between the Human Resource Department and Workplace Solutions Department to ensure completion of Form I-9, Employment Eligibility Verification.
23	FISMA-16-10	3/22/2017	FY 2016 Federal Information Security Modernization Act Independent Evaluation Report PBGC should enhance the review process to ensure the completion of the PBGC Separation Form 169/C and annotate when completion is not required.
24	FISMA-16-11	3/22/2017	FY 2016 Federal Information Security Modernization Act Independent Evaluation Report PBGC should provide training to Federal managers and contracting officer's representatives to ensure adherence to PBGC policy during the separation process for timely

			completion of the Separation Form 169/C and initiation of separation requests in the GetIT system.
25	FISMA-16-12	3/22/2017	FY 2016 Federal Information Security Modernization Act Independent Evaluation Report PBGC should enhance the process for removing separated and inactive accounts to include applications, not just Active Directory.
26	FISMA-16-13	3/22/2017	FY 2016 Federal Information Security Modernization Act Independent Evaluation Report PBGC should develop and implement process and procedures and require all users with access to PBGC systems or information complete security awareness training.
27	FISMA-16-14	3/22/2017	FY 2016 Federal Information Security Modernization Act Independent Evaluation Report PBGC should assign a senior organizational official, and develop and implement an insider threat detection and prevention program.
28	FISMA-16-15	3/22/2017	FY 2016 Federal Information Security Modernization Act Independent Evaluation Report As required by FISMA, PBGC should complete a Business Impact Analysis in accordance with NIST guidance.
29	FISMA-16-16	3/22/2017	FY 2016 Federal Information Security Modernization Act Independent Evaluation Report PBGC should use its Business Impact Analysis in determining the categorization and recovery time objective of the PLUS application.
30	FISMA-16-17	3/22/2017	FY 2016 Federal Information Security Modernization Act Independent Evaluation Report PBGC should ensure that security definitions across its systems and documentation are consistent.
31	FISMA-16-18	3/22/2017	FY 2016 Federal Information Security Modernization Act Independent Evaluation Report PBGC should ensure that security documentation do not contradict each other and are consistent with its policy.
32	FISMA-16-19	3/22/2017	FY 2016 Federal Information Security Modernization Act Independent Evaluation Report PBGC should develop and implement processes and procedures for effective communication of its security policies and processes.
33	FISMA-16-20	3/22/2017	FY 2016 Federal Information Security Modernization Act Independent Evaluation Report PBGC should improve its process of communicating continuity of operations plan test plans and test results to ensure errors in documentation is eliminated for effective reporting to its stakeholders.

34	FOD-402	2/2/2017	FY 2016 Financial Statement Audit Management Letter Report PBGC should immediately implement controls to separate the duties of the Certifying Officer and Data Entry Officer.
35	FS-07-08	11/15/2007	Limited Disclosure Report on Internal Controls-PBGC's FY 2007 and 2006 Financial Statements Audit Remove unnecessary user and/or generic accounts.
36	FS-07-14	11/15/2007	Limited Disclosure Report on Internal Controls-PBGC's FY 2007 and 2006 Financial Statements Audit Implement controls to remedy vulnerabilities noted in key databases and applications include weaknesses in configuration, roles, privileges, auditing, file permissions, and operating systems access.
37	FS-07-17	11/15/2007	Limited Disclosure Report on Internal Controls-PBGC's FY 2007 and 2006 Financial Statements Audit Implement a logging and monitoring process for application security related events and critical system modifications (i.e. CFS, PAS, TAS, PRISM, and IPVFB).
38	FS-13-01	11/15/2013	Report on Internal Controls Related to the Pension Benefit Guaranty Corporations' Fiscal 2013 and 2012 Financial Statements Audit PBGC should promptly correct the errors in its calculations identified by the auditors.
39	FS-13-02	11/15/2013	Report on Internal Controls Related to the Pension Benefit Guaranty Corporation's FY 2013 and 2012 Financial Statements Audit PBGC should develop and implement improvements to the BAPD Systems (SPECTRUM and the Integrated Present Value of Future Benefits) systems to: Record and value separate benefit components payable under different annuity forms; Record and value anticipated future benefit amount changes; Value temporary joint and survivorship benefits.
40	FS-14-06	11/14/2014	Report of Internal Controls Related to the PBGC's Reporting for FY 2014 and FY 2013 Financial Statements Audit Expand modernization efforts to Spectrum and the Integrated Present Value of Future Benefits systems to: (1) Value the actual popup benefit for Joint and Survivor Pop-up annuity forms; and (2) Value non-level and surviving spouse benefits without the need for supplemental tables.
41	FS-14-12	3/21/2014	FY 2013 Federal Information Security Management Act Final Report Assess and document the adequacy of PBGC's current data loss prevention controls in place and determine if additional controls are needed based on cost and risk.

42	FS-14-15	11/14/2014	<p>Report of Internal Controls Related to the PBGC's Reporting for FY 2014 and FY 2013 Financial Statements Audit</p> <p>FOD should perform a comprehensive analysis of key data inputs (e.g., participant count, market value, etc.) between Form 5500 and Comprehensive Premium Filing to identify significant variances. In addition, management should develop a risk analysis that focuses on evaluating the underlying causes of the significant variances identified from the comprehensive analysis and assess the potential impact to the completeness assertion for premiums.</p>
43	FS-14-41	11/14/2014	<p>Report of Internal Controls Related to the PBGC's Reporting for FY 2014 and FY 2013 Financial Statements Audit</p> <p>The Actuarial Services Division/BAPD should undertake a consolidation and codification of its technical procedures and actuarial practices into a single documentation source for single employer plan valuations.</p>
44	FS-14-42	11/14/2014	<p>Report of Internal Controls Related to the PBGC's Reporting for FY 2014 and FY 2013 Financial Statements Audit</p> <p>The Actuarial Services Division/BAPD should undertake a consolidation and codification of its technical procedures and actuarial practices into a single documentation source for multiemployer plan valuations.</p>
45	FS-15-01	11/13/2015	<p>Report on Internal Controls Related to the Pension Benefit Guaranty Corporation's FY 2015 and 2014 Financial Statement Audit</p> <p>Investigate the cause underlying the Integrated Present Value Futures Benefit valuation of the terminated recoupment and include the correction of that flaw to the Integrated Present Value Futures Benefit system modernization project.</p>
46	FS-15-02	11/13/2015	<p>Report on Internal Controls Related to the Pension Benefit Guaranty Corporation's FY 2015 and 2014 Financial Statement Audit</p> <p>Complete the PBGC RMF transition, fully implement the entity-wide information security risk management program and provide periodic updates to stakeholders.</p>
47	FS-15-04	11/13/2015	<p>Report on Internal Controls Related to the Pension Benefit Guaranty Corporation's FY 2015 and 2014 Financial Statement Audit</p> <p>Complete the implementation of NIST SP 800-53, Revision 4 controls for common controls, remediation of common controls weaknesses, and make available to system owners in Cyber Security Assessment and Management for appropriate inclusion in their system security plans.</p>

48	FS-16-01	11/15/2016	<p>Report on Internal Controls Related to the Audit of the Pension Benefit Guaranty Corporation's FY 2016 and 2015 Financial Statements</p> <p>Develop and/or implement improvements to the OBA systems used to calculate benefits and liabilities (Integrated Present Value Futures Benefit and SPECTRUM) to: (1) Value annuities starting before the age of 15 and (2) Value joint survivor to same-sex beneficiaries.</p>
49	FS-16-02	11/15/2016	<p>Report on Internal Controls Related to the Audit of the Pension Benefit Guaranty Corporation's FY 2016 and 2015 Financial Statements</p> <p>Perform risk assessment to identify primary cause of data entry and inaccurate use of plan data provision errors.</p>
50	FS-16-03	11/15/2016	<p>Report on Internal Controls Related to the Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2016 and 2015 Financial Statements</p> <p>Implement corrective action to address root cause of data entry and inaccurate use of plan data provisions.</p>
51	FS-16-04	11/15/2016	<p>Report on Internal Controls Related to the Audit of the Pension Benefit Guaranty Corporation's FY 2016 and 2015 Financial Statements</p> <p>Prepare separate annual assumption memos for the multiemployer and single-employer programs, with each assumption memo incorporating more refined key assumptions applicable to each program.</p>
52	FS-16-05	11/15/2016	<p>Report on Internal Controls Related to the Audit of the Pension Benefit Guaranty Corporation's FY 2016 and 2015 Financial Statements</p> <p>Consider methods of calculating, reviewing, and documenting plan level adjustments to the Integrated Present Value Futures Benefit inputs in order to take individual plan conditions into account.</p>
53	FS-16-06	11/15/2016	<p>Report on Internal Controls Related to the Audit of the Pension Benefit Guaranty Corporation's FY 2016 and 2015 Financial Statements</p> <p>Refine current quality control review procedures to effectively minimize data input errors.</p>
54	FS-16-07	11/15/2016	<p>Report on Internal Controls Related to the Audit of the Pension Benefit Guaranty Corporation's FY 2016 and 2015 Financial Statements</p> <p>Fully implement controls to plan, remove and decommission unsupported systems and databases.</p>
55	FS-16-08	11/15/2016	<p>Report on Internal Controls Related to the Audit of the Pension Benefit Guaranty Corporation's FY 2016 and 2015 Financial Statements</p> <p>Develop and implement plan of action for addressing known security weaknesses.</p>

56	NRAD-06	2/2/2017	FY 2016 Financial Statement Audit Management Letter Report Office of Negotiations and Restructuring Actuarial Division update the total funding target for sample 37 (Thyssen Krupp AG).
57	NRAD-07	2/2/2017	FY 2016 Financial Statement Audit Management Letter Report Office of Negotiations and Restructuring Actuarial Division should strengthen its quality control review process to verify that all key data is properly entered and the liability is properly calculated.
58	OBA-01	2/2/2017	FY 2016 Financial Statement Audit Management Letter Report Include a written policy for timely submission of the Plan Close Completion documentation for submission into IPS.
59	OBA-02	2/2/2017	FY 2016 Financial Statement Audit Management Letter Report Perform on a monthly basis, a documented independent verification of the benefit payment controls to confirm that management's objectives are accomplished.
60	OIT-117R	5/16/2013	FY 2012 Vulnerability Assessment and Penetration Testing Report (RESTRICTED DISCLOSURE) Recommendation text omitted to protect exploitation of vulnerability; report is restricted disclosure.
61	OIT-121R	5/16/2013	FY 2012 Vulnerability Assessment and Penetration Testing Report (RESTRICTED DISCLOSURE) Recommendation text omitted to protect exploitation of vulnerability; report is restricted disclosure.
62	OIT-123R	1/9/2014	FY 2013 Vulnerability Assessment and Penetration Testing Report (RESTRICTED DISCLOSURE) Recommendation text omitted to protect exploitation of vulnerability; report is restricted disclosure.
63	OIT-128R	1/9/2014	FY 2013 Vulnerability Assessment and Penetration Testing Report (RESTRICTED DISCLOSURE) Recommendation text omitted to protect exploitation of vulnerability; report is restricted disclosure.
64	OIT-133R	3/30/2015	OITs FY 2014 Vulnerability Assessment and Penetration Testing Report (RESTRICTED DISCLOSURE) Recommendation text omitted to protect exploitation of vulnerability; report is restricted disclosure.
65	OIT-139R	3/30/2015	OITs FY 2014 Vulnerability Assessment and Penetration Testing Report (RESTRICTED DISCLOSURE) Recommendation text omitted to protect exploitation of vulnerability; report is restricted disclosure.

66	OIT-153R	12/11/2015	FY 2015 Vulnerability Assessment and Penetration Testing Report (RESTRICTED DISCLOSURE) Recommendation text omitted to protect exploitation of vulnerability; report is restricted disclosure.
67	OIT-154R	12/11/2015	FY 2015 Vulnerability Assessment and Penetration Testing Report (RESTRICTED DISCLOSURE) Recommendation text omitted to protect exploitation of vulnerability; report is restricted disclosure.
68	OIT-155R	12/11/2015	FY 2015 Vulnerability Assessment and Penetration Testing Report (RESTRICTED DISCLOSURE) Recommendation text omitted to protect exploitation of vulnerability; report is restricted disclosure.
69	OIT-156R	12/11/2015	FY 2015 Vulnerability Assessment and Penetration Testing Report (RESTRICTED DISCLOSURE) Recommendation text omitted to protect exploitation of vulnerability; report is restricted disclosure.
70	OIT-157R	2/22/2017	FY 2016 Vulnerability Assessment and Penetration Testing Report (RESTRICTED DISCLOSURE) Recommendation text omitted to protect exploitation of vulnerability; report is restricted disclosure.
71	OIT-158R	2/22/2017	FY 2016 Vulnerability Assessment and Penetration Testing Report (RESTRICTED DISCLOSURE) Recommendation text omitted to protect exploitation of vulnerability; report is restricted disclosure.
72	OIT-159R	2/22/2017	FY 2016 Vulnerability Assessment and Penetration Testing Report (RESTRICTED DISCLOSURE) Recommendation text omitted to protect exploitation of vulnerability; report is restricted disclosure.
73	ONR-08	8/1/2017	Premiums: Ways to Improve Exemption Determinations Update the Processing and Technical Assistance Branch Manual to require specialists to obtain and maintain documentation supporting the change that qualified the plan for the approved coverage exemption.
74	ONR-09	8/1/2017	Premiums: Ways to Improve Exemption Determinations Train branch staff to obtain, maintain and document the supporting documentation (see recommendation one) for all coverage exemption decisions.
75	ONR-10	8/1/2017	Premiums: Ways to Improve Exemption Determinations Ensure appropriate oversight by requiring team leaders review and document their approval of required coverage exemptions.

76	ONR-11	8/1/2017	Premiums: Ways to Improve Exemption Determinations Review the three plans identified in this report, obtain supporting documentation for the change qualifying the plan for the coverage exemption, document the conclusion, and take corrective action, if necessary.
77	PRAD-02	1/30/2015	PBGC Compliance with MAP-21 Still a Work in Progress Conduct a strategic review of PRAD's business process, observing and documenting work for all actuarial work products developed by PRAD staff and contractors. PRAD should use the results of the review as a foundation for the Quality Assurance Procedures Manual, identifying critical control points, which can be used by management to ensure procedures which promote standard application of work and effective quality review, and which ensure identification of all federal records.
78	PRAD-03	1/30/2015	PBGC Compliance with MAP-21 Still a Work in Progress Once business processes are reviewed to identify control points, augment the PRAD Quality Assurance Procedures Manual and associated documentation to detail steps used in the performance of all modeling and actuarial work, so that actuarial work products can be reproduced and undergo effective and well-documented quality review. The Quality Assurance Procedures Manual should include review and oversight methods for consistent use and enforcement of procedures, appropriate approval, and escalation of issues identified.
79	PRAD-04	1/30/2015	PBGC Compliance with MAP-21 Still a Work in Progress Provide training to PRAD staff on the use of the Manual and its relationship to any additional procedural documents maintained in the department.
80	PRAD-05	1/30/2015	PBGC Compliance with MAP-21 Still a Work in Progress Modify the PRAD Manual to require that all actuarial work and modeling products are completed in accordance with actuarial standards, internal PBGC policies, and federal records management and internal control requirements.
81	PRAD-06	1/30/2015	PBGC Compliance with MAP-21 Still a Work in Progress PRAD should complete documentation of all records management procedures. The procedures should include clear control points for record retention procedures, identify all storage areas used in the creation, identification and formalization of records, ensure File Plan integration, and establish supervisory quality checks. All staff and contractors should receive training on finalized procedures, and annually thereafter.
82	PRAD-07	1/30/2015	PBGC Compliance with MAP-21 Still a Work in Progress To manage ad hoc requests, PRAD should develop, implement and monitor documented procedures that designate responsibility for a centralized repository, which at minimum documents the incoming request, date received, to whom

			assigned, requestor, resolution of response, supervisory review, and completion date.
83	PRAD-08	1/30/2015	PBGC Compliance with MAP-21 Still a Work in Progress PRAD should work with WSD and OIT to assess and implement access controls for actuarial information throughout the entire actuarial reporting process, and incorporate where actuarial records are created, developed and identified, in accordance with federal regulations and PBGC policies and procedures.
84	RMO-01	6/9/2016	Audit of the Effectiveness of PBGC's Governance of Internal Control Require participation in the entity-wide risk assessment for all significant program areas, and update and align risk assessment policy and guidance so that risks which are distinctive to PBGC's program areas are identified and analyzed and substantively discussed among PBGC leaders.

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If you want to confidentially report or discuss any instance of misconduct, fraud, waste, abuse, or mismanagement involving PBGC programs and operations, please contact the PBGC Office of Inspector General.

Telephone:

The Inspector General's HOTLINE

1-800-303-9737

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For hearing/speech impaired services,
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Or Write:

Pension Benefit Guaranty Corporation

Office of Inspector General

1200 K Street NW, Suite 480

Washington, DC 20005