

Office of Inspector General
Pension Benefit Guaranty Corporation

Semiannual Report to Congress

For the Period October 1, 2020 to March 31, 2021



SARC #64

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



Nicholas J. Novak

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 October 1, 2020 through March 31, 2021.

I was deeply honored to be appointed PBGC's fifth Inspector General on January 17, 2021 by the PBGC Board of Directors. I started working at PBGC's Office of Inspector General in 1995 as an auditor reviewing work papers for the financial statement audit. Over the next three decades I worked for all four of the agency's Inspectors General, as well as the Corporation. In one post within the PBGC, I served as the division manager of the Multiemployer Program. After the 2008 financial crisis, the number of insolvent Multiemployer plans increased from 36 to more than 90 as of FY 2020. In response, we established the program that audits most terminated Multiemployer plans. The Multiemployer Program remained in crisis. By 2020, it had a \$64 billion deficit. Without changes, the program was expected to be insolvent by the end of FY 2026, which would have led to a sharp reduction in benefits for those who rely on the PBGC's multiemployer program guarantee.

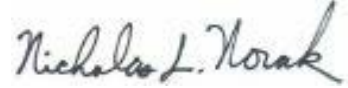
Congress has acted in the past to address issues with the Multiemployer Program, but the new law is the most significant. On March 11, 2021, the President signed the American Rescue Plan Act (ARPA) of 2021. The law is estimated to provide more than \$86 billion in Special Financial Assistance to support financially troubled plans in the Multiemployer Program. Eligible plans that apply for assistance will receive a one-time, lump-sum payment to ensure the benefits of plan participants and beneficiaries. This is a dramatic step. Some of the largest plans could receive a single payment of more than \$1 billion.

There is a critical oversight role for the Office of Inspector General (OIG) to play in the implementation of ARPA's Special Financial Assistance provisions. Ensuring PBGC executes its actions efficiently, effectively and according to law will require OIG oversight.

The Multiemployer Special Financial Assistance that PBGC will receive from the Department of the Treasury will be the first time in the history of the PBGC that the Corporation will receive

taxpayer funds. Our office is committed to protecting taxpayer dollars and we will continue to aggressively protect the integrity of the Multiemployer Program.

Respectfully submitted,

A handwritten signature in cursive script that reads "Nicholas J. Novak". The signature is written in dark ink and is positioned above the printed name.

Nicholas J. Novak
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

AIGA	Assistant Inspector General for Audits
BCV	Benefits Calculation and Valuation
CEO	Chief Executive Officer
CFS	Consolidated Financial System
CIGIE	Council of the Inspectors General on Integrity and Efficiency
COO	Chief Operating Officer
COR	Contracting Officer Representative
CPAF	Cost-Plus-Award-Fee
CRM	Customer Relationship Management
DLP	Data Loss Prevention
DOJ	Department of Justice
ERISA	Employee Retirement Income Security Act of 1974
ERM	Enterprise Risk Management
EY	Ernst and Young, LLP
FAR	Federal Acquisition Regulations
FISMA	Federal Information Security Modernization Act
FOD	Financial Operations Department
FPBU	Funds Put to Better Use
FY	Fiscal Year
GAO	Government Accountability Office
GAS	Government Accounting Standards
I&E	Inspections and Evaluations
IG Act	Inspector General Act of 1978
IPVFB	Integrated Present Value of Future Benefits
IT	Information Technology
LIFT	Leading, Inspiring, and Fostering Talent Network
My PAA	My Plan Administration Account
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
OMA	Office of Management and Administration
OMB	Office of Management and Budget

ONR	Office of Negotiations and Restructuring
PAE	Plan Asset Evaluations
PBGC	Pension Benefit Guaranty Corporation
PD	Procurement Department
PDR	Participant Data Review
PII	Personally Identifiable Information
PIIA	Payment Integrity Act of 2019
PVFB	Present Value Future Benefit
RMO	Risk Management Officer
SARC	Semiannual Report to Congress
SEC	Securities and Exchange Commission
SSA	Social Security Administration
SSN	Social Security Number
U.S.C.	United States Code

Executive Summary

During the period October 1, 2020 through March 31, 2021, we:

- Closed 44 recommendations and issued 37 new recommendations. The total number of open audit recommendations is 68. (Page 21)
- Issued the following reports:
 - **Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2020 and 2019 Financial Statements.** PBGC's financial statements were presented fairly, in all material respects, in conformity with accounting principles generally accepted in the U.S. This is the 28th consecutive unmodified financial statement audit opinion. However, two significant deficiencies were identified. (Page 22)
 - **Audit of Pension Benefit Guaranty Corporation's Limited Purpose Financial Statements for Fiscal Year 2020 and 2019.** The Supplemental Information was fairly stated, in all material respects, in relation to the financial statements as a whole. (Pages 22)
 - **Pension Benefit Guaranty Corporation's Implementation of the Federal Information Security Modernization Act of 2014 for FY 2020.** PBGC's cybersecurity program fell below the specified threshold of effectiveness, *Managed and Measurable* (Level 4), and achieved an overall *Consistently Implemented* (Level 3) maturity level. However, two functional areas, *Detect and Respond*, were found to meet the *Managed and Measurable* (Level 4) maturity level. In addition, another two functional areas—configuration management and security training—moved up one level. (Page 23)
 - **Fiscal Year 2020 Financial Statement Audit Management Letter Report.** This is a summary of findings and recommendations related to internal control deficiencies and other matters that are not required to be reported in the Independent Auditor's Report. The observations and recommendations offer opportunities for PBGC to strengthen its operations. (Page 23)
 - **Internal Controls Must Be Strengthened to Promote Procurement Integrity.** We found the former PBGC Procurement Department Director steered the contract in a bribery case by including overly restrictive personnel requirements in the solicitation and then increased its value to \$3.3 million through out-of-scope modifications. In addition, a follow-on contract was awarded to the same contractor

for \$1.5 million. In total, we identified \$4.8 million as questioned costs because the contracts were obtained through fraudulent means. His actions were enabled by internal control weaknesses; specifically, inadequate oversight of Procurement Department (PD) procurements and a lack of a control mechanism to ensure that PD sent all requisite contract actions for legal review. (Page 24)

- **PBGC Can Improve the Effectiveness of the ERM Program.** PBGC has made substantial progress in implementing its Enterprise Risk Management (ERM) program. However, we found PBGC lacks a properly documented succession plan for the Risk Management Officer (RMO) position, and formalized training for those directly involved with the ERM program. Finally, we noted PBGC uses an outdated directive that does not capture the current ERM guidance covered in Office of Management and Budget (OMB) Circular A-123. (Page 24)
- **PBGC Security Assessment Report.** The Office of Inspector General has determined that this report is for official use only. The report detailing the security assessment has been redacted in its entirety because it contains privileged and confidential information. (Page 25)

Deceased Participants Program

We continued our efforts under the fraud detection/computer matching initiative to identify deceased participants in the Single-Employer and Multiemployer programs. To date, we have identified 199 instances of improper payment or fraud relating to deceased participants in the Single-Employer and Multiemployer programs. We referred those cases to PBGC for coordination to terminate benefit payments and seek recoupment. (Page 29)

Background

The Pension Benefit Guaranty Corporation

The Employee Retirement Income Security Act of 1974 (ERISA) established the Pension Benefit Guaranty Corporation (PBGC or Corporation) within the U.S. Department of Labor to administer the pension insurance programs. ERISA requires PBGC to: (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 over 34 million American workers and retirees participating in more than 24,500 private sector defined benefit pension plans. Historically, the Corporation has not received general tax revenues. It manages approximately \$147 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 FY 2020, PBGC paid over \$6.1 billion in retirement benefits to more than 984,000 retirees in over 5,000 single-employer plans. It also paid \$173 million in financial assistance to 95 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. Although the net financial position of PBGC's single-employer program has improved, the program continues to face ongoing financial risk from the potential termination of large, underfunded plans. In addition, 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 2020, PBGC's net position in the Single-Employer Program was \$15.5 billion, and its net position in the Multiemployer Program was negative \$63.7 billion. PBGC's estimate of the reasonably possible exposure to loss in the Single-Employer Program is \$176.2 billion; the reasonably possible exposure in the Multiemployer Program was \$9.3 billion. According to PBGC's FY 2019 Projections Report (issued in September 2020), the multiemployer pension insurance program showed a very high likelihood of insolvency during FY 2026.

On March 11, 2021, the President signed ARPA into law. The new law will provide Special Financial Assistance to ensure benefit payments at the plan levels to financially troubled plans in

¹ Unless otherwise cited, the figures contained in this section are based on PBGC's 2020 Annual Report.

the Multiemployer Program. It is estimated to provide \$86 billion in Special Financial Assistance. However, critical work remains. The agency must develop guidance on the requirements for plan applications and distribute payments, and oversight of the program is crucial. For the first time in its 47-year history, PBGC will receive money from the Department of the Treasury – taxpayers funds – to provide Special Financial Assistance to eligible plans.

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 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 Office of Inspector General 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 (IG Act). 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 consists of the Inspector General, the Chief Counsel, and the Assistant Inspectors General. The Assistant Inspector General for Audits leads our audit staff, the Assistant Inspector General for Investigations leads our investigative staff, and the Assistant Inspector General for Management leads 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 (CIGIE). 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. During FY 2020, we completed our *Office-Wide Assessment of Structural Threats* and revised our *Code of Conduct*. We also continued emphasis on our OIG capability model to focus on three oversight imperatives: Contracting, Data Analytics and Visualization, and Compliance and Integrity.

We also actively participate in and support OIG community activities. The Inspector General represents our office on the CIGIE Enterprise Risk Management Working Group. Our Chief Counsel represents our office on the Chief Counsels of Inspectors General Employment Law Working Group. Our Assistant Inspector General for Management and Administration represents our office on the CIGIE Data Analytics Working Group. Additionally, two of our auditors are part of the CIGIE Leading, Inspiring, and Fostering Talent (LIFT) Network, one auditor participates in the CIGIE's Enterprise Risk Management Working Group, and an analyst is a member of CIGIE's Quality Assurance Working Group.

Management Challenges

Information Security

Protecting retiree income by paying benefits on time and accurately is a statutory requirement and one of the fundamental reasons PBGC exists. In FY 2020, the Corporation paid over \$6.1 billion in benefits to more than 984,000 retirees in single-employer plans, and \$173 million in financial assistance/benefits to 79,600 participants in 95 multiemployer plans. PBGC relies on information systems and electronic data to carry out operations and to process, maintain, and report essential information. Many of PBGC's systems contain vast amounts of personally identifiable information (PII), including approximately two million Social Security numbers (SSN) for active customers. It is PBGC's responsibility to protect the confidentiality, integrity, and availability of this information.

GAO has identified information security as a government-wide high-risk since 1997 and expanded the risk in 2015 to include protecting the privacy of PII. Protecting PBGC networks, systems, and data is a long-standing and continuing management challenge. During FY 2020, PBGC closed a total of 28 recommendations between the financial statement and Federal Information Security Modernization Act (FISMA) audits; however, continued work and focus is needed.

We have noted PII concerns beginning with our FY 2010 report, *PBGC Needs to Improve Controls to Better Protect Participant Personally Identifiable Information*, and, in a limited distribution Risk Advisory, *Personally Identifiable Information and Data Loss Prevention Control Weaknesses*, issued in 2017.

Management continued to make progress in information security and identified maintaining effective IT security as a strategic objective within their Strategic Goal to maintain a High Standard of Stewardship and Accountability. In 2009, we found PBGC had a material weakness with its entity-wide security program planning and management, and access control and configuration management. In our FY 2015 internal controls report, IT conditions we previously reported as *material weaknesses* resulting in an adverse opinion on internal control were downgraded to *significant deficiencies*. Management's continued focus and corrective actions resulted in the entity-wide security program planning and management, and access control and configuration management no longer being reported as *significant deficiencies* as of FY 2017 and FY 2020. However, a new *significant deficiency* regarding segregation of duties controls over information systems was identified in FY 2020.

Our FY 2020 FISMA audit found PBGC made improvements in its information security program, with 21 additional metrics being assessed at the *Managed and Measurable* level from the prior year. The ratings for both the configuration management and security training domains increased to *Managed and Measurable*. However, weaknesses were noted in the domains of risk management, configuration management, identity and access management, data protection and privacy, and security training. A total of 11 new recommendations were made in our FY 2020 FISMA report to assist PBGC in strengthening its information security program.

During FY 2019, we issued an evaluation report, *PBGC's Data Protection at Contractor-Operated Facilities*. Our report found that although controls relating to data protection at the contractor-operated facilities are for the most part suitably designed, controls relating to the monitoring of the personnel security process and oversight by Contracting Officer's Representatives (CORs) are not consistently executed in a manner to ensure the protection of sensitive information.

In FY 2019, we also issued a Risk Advisory to management that highlighted the need for additional safeguards to protect sensitive participant data from insider threats. Our evaluation of *PBGC's Efforts to Reduce the Collection, Maintenance, and Use of Social Security Numbers*, issued in September 2019, identified several PBGC offices that have responsibilities involving the collection, maintenance or use of SSN. The types of work vary by office and individual, but include access to SSN of federal employees, contractors, pension plan participants, or beneficiaries. Although the Office of Information Technology (OIT) has made efforts in controlling access to PII, including SSN, continued progress is needed across the organization to more narrowly grant access based on individual employee's duties in accordance with the

principle of least privilege. Limits of PBGC's technology affect both its ability to conceal SSN when not needed and to secure SSN and other PII. As PBGC plans and continues modernizing its systems, limiting access to SSN with the latest IT technology should be considered.

Further, continued improvements in PBGC's information security posture are needed so the Corporation can remain agile in the rapidly changing threat environment. The National Institute of Standards and Technology (NIST) published the latest revision to the *Security and Privacy Controls for Information Systems and Organizations* in September 2020. The Corporation must leverage the latest controls and swiftly implement the federal security standards and OMB requirements.

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

The modernization of legacy systems challenges agencies to prioritize IT spending to deliver better service to the public while enhancing mission effectiveness, reducing cybersecurity risks, and building a modern IT workforce. Along with infrastructure modernization projects, PBGC also needs to prioritize program office modernization projects to ensure they are strategically aligned, transparent, synchronized, and driven by performance-based data.

PBGC is currently in the process of modernizing portions of its Participant Management Program. This program provides the capability to administer benefits to more than 1.5 million participants in PBGC trustee plans and facilitates payments to around one million retirees or their beneficiaries, with benefits over \$6 billion. The program is the consolidation of the Integrated Present Value of Future Benefits (IPVFB); Benefits Administration, Benefit Calculation and Valuation (BCV); Spectrum; and other related IT systems.

Our office continued to identify the importance of modernizing IT systems, and management has made some progress in this area. Our testing of the Present Value Future Benefit (PVFB) liability reported on June 30, 2019 and September 30, 2019 continued to reveal errors caused by IT systems limitations or programming flaws, as well as data entry errors and inaccurate use of plan data provisions. Although PBGC completed the last phase of its modernization projects for IPVFB in FY 2018, PBGC management decided not to correct some of the historical errors. PBGC is currently engaged in several modernization projects affecting key benefits-related IT systems, including BCV, Customer Relationship Management (CRM), and My Plan Administration Account (My PAA).

BCV is PBGC's pension calculation and valuation solution used by plan actuaries to determine participant benefits and calculate corporate liabilities for plans PBGC will trustee. The BCV modernization aims to close performance gaps, retire antiquated technology, reduce security

issues, incorporate re-engineered processes, and integrate with other corporate systems while aligning with IT infrastructure. PBGC reported that it completed phase I of the BCV modernization at the end of FY 2020, which consolidated a case-specific plan and participant data stored across thousands of databases into a single, secure, centralized database. Phase 2 has a target completion date of Q4 FY 2021 and is expected to modernize the benefit calculation components to web-based technology and modernize the interfaces between BCV with other PBGC systems. The modernized components are expected to connect to the centralized database, improve ease of use, improve data integrity and security, and ensure greater consistency and accuracy.

CRM is the central repository for all PBGC participant interactions. Customer service representatives use data pulled from the repository to answer questions for plan participants, beneficiaries, and plan managers. The modernized CRM will replace the legacy CRM and MyPBA systems with a platform hosted in the cloud, and leverage GSA's *login.gov* – a Federal Risk and Authorization Management Program (FedRAMP)² approved authentication and identity proofing platform – to improve system security.

My PAA is a secure, web-based application that currently enables pension plan practitioners to electronically submit premium filings and pay insurance premiums to PBGC. The replacement is based on Oracle commercial off-the-shelf software and is expected to enable configurable front-end business rules, user interactions, and integration with other applications that can be changed more easily, quickly, and for lower cost; enable processing power to be scaled to accommodate peak premium filing periods; enable PBGC to offer additional user-friendly and self-service features and capabilities to enhance the filing experience for practitioners; and better support evolving IT security requirements. Phase 2 of the BCV modernization, CRM modernization, and the My PAA replacement are expected to be completed in FY 2021. To mitigate some of the risk of modernization projects, PBGC reports using agile development methodologies and holding bi-weekly executive briefings. Additionally, per suggestion from the OIG, the Office of Information Technology (OIT) has provided information related to project costs in the public domain for significant IT modernization efforts. This process was initiated with the Office of Negotiations and Restructuring-Office of the General Counsel (ONR-OGC) case management modernization, CRM modernization effort, My Plan Administration Account Replacement, BCV Phase I, BCV Phase II, and will continue for future significant IT modernization efforts.

² FedRAMP is a government-wide program that provides a standardized approach to security assessment, authorization, and continuous monitoring for cloud products and services.

Since 2015, GAO has identified *Improving the Management of IT Acquisitions and Operations* as *high risk* because “federal IT investments too frequently fail or incur cost overruns and schedule slippages while contributing little to mission-related outcomes. These investments often suffered from a lack of disciplined and effective management, such as project planning, requirements definition and program oversight and governance.” With PBGC embarking on critical legacy system modernization, we continue to identify PBGC’s modernization efforts 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 systems, and its reliance on professional services contract support.

Transparency and Accountability of Professional Services Contracting

PBGC is highly dependent on contractor staff to conduct its work, which includes providing IT support, developing and assessing internal controls, and calculating and paying pension benefits. For example, the Office of Benefit Administration (OBA) has approximately 250 federal employees supported by over 700 contractor staff. Within these totals, OBA’s three primary field offices, which oversee the day-to-day benefits administration activities and Customer Contact Center for PBGC’s trustee and non-trustee plans, are staffed with about 420 contractor employees. In addition, OIT has approximately 110 federal employees and 330 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.

Contractors are an important part of the PBGC workload influx plan in the event of a dramatic increase in plan failures; this is because benefit calculations are based on contractors performing critical plan asset evaluations, participant data reviews, actuarial valuations services, and data collection. In September 2020, PBGC became the trustee for the McClatchy Company Retirement Plan, which covers over 24,000 current and future retirees. Although PBGC has not seen an influx of plan terminations the agency is currently at risk for higher than normal volume due to current economic conditions.

Our office has raised concerns for many years about PBGC management’s oversight of professional services contracts. After the former PBGC PD Director’s guilty plea in May 2020, we found that internal control deficiencies contributed to contract steering for one procurement support contract and avoidance of competition requirements for five other contracts, including four professional services contracts. In a separate audit, we found PD did not administer the Cost-Plus-Award-Fee (CPAF) contract for IT infrastructure operations and maintenance services in a manner consistent with the Federal Acquisition Regulation (FAR).

In our evaluation of a service contract to assist PD with a backlog of contract close-outs, we found PD did not perform adequate monitoring during the period of performance and did not follow-up on findings from the contract close-out reports. We also reported on concerns about contracts that include closely aligned firm-fixed-price and labor-hour type tasks, and concerns regarding over-reliance on contractors for IT system modernization efforts. Sufficient and effective oversight is a shared responsibility though, and this remains a top management challenge.

In Focus

Quality Assurance and Public Trust

All federal Offices of Inspector General must meet the highest standards of independence and objectivity; this is not just talk, the law requires it. The Inspector General's Act of 1978 requires OIGs to comply with standards established by the Comptroller General of the United States, and those standards, known as Government Auditing Standards (GAS) emphasize the importance of integrity, objectivity and independence in serving the public trust. It is interesting the extent to which Government Auditing Standards link high-quality work to these ideals. The U.S. Government Accountability Office (GAO), which publishes the Standards, draws a straight line: "The professional Standards and guidance contained in this document provide a framework for conducting high-quality engagements with competence, integrity, objectivity, and independence."

One of the key elements of compliance with the Standards is quality control and assurance. Large or small, all OIGs must establish and maintain a system of quality control and assurance that ensures compliance with professional standards, laws, and regulations. No two systems are exactly alike, but they all must meet the Standards.

At the PBGC Office of Inspector General, we have followed the path outlined in the Standards to develop a system that focuses on leadership and high-quality work. In 2016, we implemented a new Quality Control and Assurance Program. The program integrated quality assurance with strategic plans and goals, linked training with a culture of continuous development, and defined leadership roles and responsibilities. Although our office is relatively small, with fewer than 20 employees, including 10 auditors, quality control is a major part of all staff responsibilities, from documenting independence, to supervision, lessons-learned and quality reviews. All reports issued under standards receive quality assurance reviews and the quality assurance analyst, who operates separately from other audit and engagement teams, reports to the Assistant Inspector General for Audits (AIGA) but has direct access to the Inspector General. This operating structure allows collaboration with the AIGA on audit matters, but also ensures independence.

We have also worked to update and implement policies and procedures that address changes to the 2018 Standards and focus staff on areas most critical to engagement success. It is easy to view policies and procedures as simple rulebooks, but in the craft of auditing it is much more. They not only help ensure compliance but guide staff to a team approach that ensures sound professional judgment, the heart of auditing.

We have developed templates to help staff better assess the areas most often challenging in engagements: analyzing audit risk, reviewing internal controls, and assessing evidence. For example, an assessment of the sufficiency and appropriateness of evidence requires more than gathering facts. It means thinking about the logical relationship of facts, one to another and as a whole, examining context, significance and risk, and weighing it all to reach conclusions that actually make programs work better. These are aspects of critical thinking and professional judgment required by auditing standards.

All of this is part of our commitment to building and maintaining a quality control and assurance system that not only complies with professional standards and requirements but adds value and serves the public trust.

**Government Auditing Standards
2018 Revision
Chapter 3: Ethics, Independence
and Professional Judgment**

Performing audit work in accordance with ethical principles is a matter of personal and organizational responsibility. Ethical principles apply in preserving auditor independence, taking on only work that the audit organization is competent to perform, performing high-quality work, and following the applicable standards cited in the audit report. Integrity and objectivity are maintained when auditors perform their work and make decisions that are consistent with the broader interest of those relying on the audit report, including the public.

GAS 3.04

Audits, Evaluations, and Reviews

Summary of Performance

Category	Number
Open Recommendations Beginning of Period	75
Opened This Period	37
Closed This Period	44
Open Recommendations End of Period	68
Reports with Open Recommendations End of Period	18

PBGC OIG continued to face the unprecedented challenge of working during a pandemic. Early in the audit process, the District of Columbia, Maryland, and Virginia imposed “stay-at-home” orders for their residents. To adapt to this change, PBGC OIG, Corporation employees, and PBGC contractors worked remotely and leveraged technology to conduct meetings, walkthroughs and interviews, and share information and documents.

Despite the challenges, PBGC OIG continued to issue audit reports and meet all reporting deadlines. For example, the independent public accounting firm Ernst & Young, LLP (EY), with cooperation from all PBGC departments, completed the FY 2020 Financial Statement and FISMA audit within the allowed time. After completing these audits, PBGC OIG, PBGC and EY conducted several lessons-learned meetings to identify practices to help EY perform future audits more efficiently and effectively, save PBGC employees time and effort, and ensure reports are issued on-time. During these meetings, we identified the following best practices to be implemented in future audits:

- Utilize available technology to stay engaged and communicate effectively.
- Issue notes to the auditor to provide additional explanation for requested documents.
- Share observations prior to issuing notices of findings and recommendations.
- Coordinate with PBGC through different phases of the audit to ensure PBGC’s resources are available when needed, and walkthroughs and presentations do not coincide with the critical stages of preparing the financial report by PBGC employees.
- Find the best solution to transfer PBGC audit documents safely, securely, and efficiently to the auditors.

- Streamline the walkthroughs during the internal control phase to improve efficiency.
- Schedule FISMA/IT security planning earlier in the audit cycle.

Financial Audits and Related Work

Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2020 and 2019 Financial Statements

(AUD-2021-02, issued December 9, 2020)

<https://oig.pbgc.gov/pdfs/AUD-2021-02.pdf>

We contracted with the independent public accounting firm, EY and oversaw this audit. EY determined the financial statements were presented fairly, in all material respects, in conformity with accounting principles generally accepted in the U.S. This is the 28th consecutive unmodified financial statement audit opinion. PBGC maintained, in all material respects, effective internal control over financial reporting as of September 30, 2020. PBGC continues to develop and execute corrective actions to remediate previously reported internal control deficiencies related to its actuarial liability estimates. As of September 30, 2020, PBGC had two significant deficiencies: (1) Controls over Actuarial Liability Estimates and (2) Controls over Information Systems—Segregation of Duties.

EY did not find any instance of noncompliance or other matters with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements.

Audit of Pension Benefit Guaranty Corporation's Limited Purpose Financial Statements for Fiscal Year 2020 and 2019

(AUD-2021-03, issued December 9, 2020)

<https://oig.pbgc.gov/pdfs/AUD-2021-03.pdf>

We contracted with EY to perform this audit. EY determined the financial statements were presented fairly, in all material respects, in conformity with accounting principles generally accepted in the U.S. The Supplemental Information was fairly stated, in all material respects, in relation to the financial statements as a whole.

Pension Benefit Guaranty Corporation's Implementation of the Federal Information Security Modernization Act of 2014 for FY 2020

(AUD-2021-05, issued January 21, 2021)

<https://oig.pbgc.gov/pdfs/AUD-2021-05.pdf>

We contracted with EY to perform an evaluation of PBGC's information security program as required by FISMA. EY concluded that PBGC's cybersecurity program fell below the specified threshold of effectiveness, *Managed and Measurable* (Level 4). PBGC's information security program achieved an overall *Consistently Implemented* (Level 3) maturity level. However, two functional areas, Detect and Respond, were found to meet the *Managed and Measurable* (Level 4) maturity level. In addition, EY noted improvement in configuration management and security training, each moving up one level. EY issued recommendations and noted weaknesses in 5 of the 8 Inspector General FISMA Metric Domains; and made 17 new recommendations (11 in this report and 6 in the financial statements audit report) and repeated 1 recommendation to assist PBGC in strengthening its information security program. PBGC agreed with the 11 new recommendations in this report and previously agreed with the 6 recommendations in the financial statements audit report.

Fiscal Year 2020 Financial Statement Audit Management Letter Report

(AUD-2021-6, issued February 1, 2021)

<https://oig.pbgc.gov/pdfs/AUD-2021-6.pdf>

This management letter summarizes EY's findings and recommendations related to internal control deficiencies and other matters. The issues noted in this report are not significant; therefore, the deficiencies were not required to be reported in the Independent Auditor's Report (AUD-2021-02). However, the observations and recommendations offer opportunities for PBGC to strengthen its operations.

In addition to the seven prior years' open recommendations, EY issued 9 new recommendations, for a total of 16 open recommendations at the end of FY 2020. PBGC will continue working with EY to resolve these recommendations.

Performance Audits, Evaluations, and Special Reports

Internal Controls Must Be Strengthened to Promote Procurement Integrity

(AUD-2021-01, issued December 8, 2020)

<https://oig.pbgc.gov/pdfs/AUD-2021-01.pdf>

Following the former PBGC Procurement Department Director's guilty plea in May 2020, we found he steered the contract in the bribery case by including overly restrictive personnel requirements in the solicitation and then increased its value to \$3.3 million through out-of-scope modifications. In addition, a follow-on contract was awarded to the same contractor for \$1.5 million. In total, we identified \$4.8 million as questioned costs because the contracts were obtained through fraudulent means. His actions were enabled by internal control weaknesses; specifically, inadequate oversight of PD procurements and a lack of a control mechanism to ensure that PD sent all requisite contract actions for legal review. Although PBGC began requiring that more contract actions receive legal review after the PD Director resigned in February 2020, it does not have a mechanism to ensure PD complies with this requirement. Finally, although we did not identify other contracts that the former PD Director steered, we found internal control deficiencies allowed PD to avoid competition requirements when awarding five other contracts, three of which were for PD support. Four of the contracts were awarded on a sole-source basis, including three using small business set-aside programs.

PBGC Can Improve the Effectiveness of the ERM Program

(EVAL-2021-07, issued March 1, 2021)

<https://oig.pbgc.gov/pdfs/EVAL-2021-07.pdf>

We found PBGC has made substantial progress in implementing its ERM program. However, we also found PBGC lacks a properly documented succession plan for the Risk Management Officer position. The lack of a plan may hinder proper succession and continuity of operations and formalized training for those directly involved with the ERM program, which may cause inconsistencies in knowledge bases across PBGC. Finally, we noted PBGC uses an outdated directive that does not capture the current ERM guidance covered in OMB Circular A-123, which may lead to ineffective guidance for remediating risks. We made four recommendations. PBGC agreed with them and to take the corrective action identified in the report.

PBGC Security Assessment Report

(SR-2021-04, issued December 23, 2020)

<https://oig.pbgc.gov/pdfs/SR-2021-04.pdf>

During the financial statement audit, EY assessed PBGC's network for technical weaknesses that may allow employees or outsiders to cause harm or impact PBGC's business processes and information. This report includes no formal recommendations, as they are consolidated and presented in the FY2020 FISMA report. The OIG determined this report is for official use only. The report detailing the security assessment has been redacted in its entirety because it contains privileged and confidential information.

On-Going Performance Audits and Related Work

Office of Benefit Administration's Actuarial Support Services Contract

(Project No. EV-20-143, announced November 21, 2019)

https://oig.pbgc.gov/pdfs/Ann_EV-20-143.pdf

We are conducting this engagement to evaluate PBGC's compliance with applicable Federal Acquisition Regulations and PBGC's policies regarding acquisition planning, awarding and oversight of OBA's actuarial support services.

PBGC's IT Modernization Projects

(Project No. SR-20-146, announced January 29, 2020)

https://oig.pbgc.gov/pdfs/Ann_SR-20-146.pdf

We are conducting this engagement to: (1) identify ongoing IT modernizations projects and their significance within PBGC's mission, (2) determine the current status of the efforts—particularly related to cost and schedules, (3) identify challenges and risks of these projects, and (4) determine how these projects address PBGC's strategic goals.

PBGC's Fiscal Year (FY) 2020 Compliance with the Payment Integrity Information Act of 2019 (PIIA)

(Project No. EV-21-153, announced December 10, 2020)

https://oig.pbgc.gov/pdfs/Ann_EV-21-153.pdf

We are conducting this engagement to determine whether PBGC has met all requirements of the Payment Integrity Information Act of 2019 (PIIA) in the Payment Integrity section of the FY 2020 Agency Financial Report /Performance and Accountability Report and accompanying materials. We will also evaluate the Corporation's efforts to prevent and reduce improper payments.

Evaluation of PBGC's Missing Participant Program

(Project No. EV-21-154, announced February 11, 2021)

https://oig.pbgc.gov/pdfs/Ann_EV-21-154.pdf

We are conducting this engagement to evaluate the effectiveness of PBGC's program for locating missing participants.

PBGC's Compliance with Requirements of the Digital Accountability and Transparency Act of 2014 for Fiscal Years 2020 and 2021

(Project No. PA-21-156, announced March 17, 2021)

https://oig.pbgc.gov/pdfs/Ann_PA-21-156.pdf

We are conducting this engagement to determine PBGC's compliance with Requirements of the Digital Accountability and Transparency Act of 2014 for FY 2020 and FY 2021.

Pension Benefit Guaranty Corporation Financial Statements Audit for FY 2020 and Related Work

(Project FA-21-155, announced March 23, 2021)

https://oig.pbgc.gov/pdfs/Ann_FA-21-155.pdf

We are conducting this engagement to express an opinion as to whether PBGC's financial statements are prepared in accordance with prescribed accounting principles and provide other relevant conclusions based on the work performed.

Investigative Activities

Summary of Performance

Category	Federal	State
Indictments	0	0
Informations	1	0
Criminal Complaints	0	0
Convictions	2	0
Nolo Contenderes	0	0
Sentencings	3	0

During this reporting period, we continued to focus on the integrity of PBGC operations and educating stakeholders on its importance. The OIG conducted stakeholder presentations for the PBGC Enterprise Risk Management Team and for Department Directors in the Office of Management and Administration. The presentations expanded the organization’s understanding of the various internal and external fraud schemes that the OIG investigates. The presentations also support information sharing, communication, and collaboration in the joint effort to identify and address risk. In addition to the stakeholder presentations, we focused investigative attention on a contract bribery investigation, theft of pension benefits, and deceased participant fraud.

Second Contracting Executive Sentenced for Bribery Conspiracy

On January 27, 2021, U.S. District Judge Anthony J. Trenga of the Eastern District of Virginia sentenced a former Chief Operating Officer (COO) of a government contracting firm to 2 years probation, including 6 months home confinement, 200 hours of community service, and a \$100 Special Assessment. The defendant was also ordered to pay a forfeiture money judgment of \$293,788. In August 2020, this defendant pleaded guilty to conspiring to bribe a public official. Previously, the former Director of Procurement for PBGC and the president and Chief Executive Officer (CEO) of this same government contracting firm pleaded guilty and were sentenced for their roles in this conspiracy. From at least 2015 through August 2017, the Procurement Director solicited and received cash payments and other things of value, including the promise of a job valued at \$1 million, from the CEO. In exchange, the PBGC official agreed to steer PBGC contracts to the CEO and COO’s company.

In 2015, the PBGC Procurement Director offered to help the contracting firm win a PBGC contract worth approximately \$55 million in exchange for a future job with the company.

Among other things, he provided the company's CEO with sample bid proposals; helped draft, review, and edit the company's bid proposal; and disclosed labor pricing estimates. When the company did not win the contract, the Procurement Director helped the CEO draft the company's bid protest. The CEO admitted that his business partners were aware of his arrangement with the PBGC official.

In 2016, the Procurement Director proposed a second arrangement with the contracting firm's CEO in which the PBGC official would receive up to \$125,000 from the CEO and his company in exchange for steering a contract to the company. PBGC awarded the contract to the CEO's company, which resulted in payments to the company totaling approximately \$3.29 million. The Procurement Director official steered the contract by, among other things, providing sensitive, non-public information and work product to the CEO; providing guidance for contract pricing; and adjusting the terms of the contract to align with the qualifications of the company's personnel. The Procurement Director received at least \$48,000 in cash, plus additional gifts. The defendants also took extraordinary steps to conceal the scheme and their communications with each other; for example, they used separate, dedicated cellular telephones and e-mail accounts, and used encrypted software for messaging.

The now former Director of the PBGC Procurement Department, the CEO, the COO, and the contracting firm have been proposed for debarment from government contracting and all government non-procurement related activities. This case was investigated by the PBGC OIG and the FBI.

Ohio Woman Sentenced for Impersonating PBGC Participant and Theft of Pension Benefits

On October 2, 2020, a 38-year-old woman entered a guilty plea in the U.S. District Court, Southern District of Ohio to one count of aggravated identity theft. On February 8, 2021, the defendant was sentenced to 24 months incarceration, restitution of \$2,758.59, one year of probation after incarceration, and 20 hours of community service. The defendant was arrested by the Michigan State Police in Lansing, Michigan in July 2020, as a result of an indictment alleging she stole the identity of a 72-year-old PBGC participant and redirected his \$919 monthly pension benefits to a bank account she controlled. On one occasion, the defendant allegedly called PBGC, identified herself as a relative of the victim, and had someone impersonate the victim on the phone call. This investigation was conducted by the PBGC OIG and the SSA OIG. This case was prosecuted as part of the Justice Department's Elder Fraud Initiative.

Washington Woman Sentenced for Theft of Government Funds

On December 18, 2020, a 73-year-old Bainbridge Island, Washington woman was sentenced to 3 years probation, restitution of \$84,274.76, and a \$100 Special Assessment. The defendant previously entered a guilty plea on September 30, 2020 to a charge of Theft of Public Funds in violation of 18 U.S.C. Section 641, for fraudulently collecting her mother's PBGC pension benefits after she passed away in March 2011. PBGC did not receive notice of her mother's death and continued to pay monthly benefits of \$896.54. The woman deposited the checks from PBGC into a joint bank account by forging her mother's signature. This case was initiated as a result of the Deceased Participant Data Matching Project of the PBGC OIG Investigations Division.

Pennsylvania Woman Pleads Guilty to Theft of Government Funds

On February 4, 2021, a 70-year-old Philadelphia, Pennsylvania woman pleaded guilty to a charge of Theft of Public Funds in violation of 18 U.S.C. Section 641. She was previously charged via information in the Eastern District of Pennsylvania, U.S. District Court on January 7, 2021. After the PBGC participant passed away in July 2011, beginning in or about August 2011 and through in or about November 2019, the defendant knowingly converted to her own use approximately \$133,000 in Social Security Administration (SSA) benefits and approximately \$1,600 in PBGC benefits. Sentencing is currently scheduled for May 17, 2021. This is a joint investigation between the SSA OIG and the PBGC OIG.

Deceased Participants Program

We continued our efforts under the fraud detection/computer matching initiative to identify deceased participants in the single-employer and multiemployer programs. To date, we have identified 199 instances of improper payment or fraud relating to deceased participants in the single-employer and multiemployer programs and referred those cases to PBGC for coordination to terminate benefit payments and seek recoupment.

Senior Government Employee Substantiated Misconduct Investigations

During this reporting period, we did not complete any investigations involving a senior government employee³ where we substantiated an allegation of misconduct.

Instances of Whistleblower Retaliation

We did not complete any investigations of whistleblower retaliation during this reporting period.

Congressional Requests

During this reporting period, we did not receive any Congressional requests.

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.

³ “[A]n officer or employee in the executive branch (including a special Government employee as defined in section 202 of title 18, United States Code) who occupies a position classified at or above GS–15 of the General Schedule or, in the case of positions not under the General Schedule, for which the rate of basic pay is equal to or greater than 120 percent of the minimum rate of basic pay payable for GS–15 of the General Schedule[.]”
5 U.S.C. App. 3, § 5(f)(7).

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.

Compliance with Federal Financial Management Improvement Act

PBGC is in compliance with the Federal Financial Management Improvement Act.

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

Inspections and Evaluations: As adopted and approved by the majority of the CIGIE membership, OIGs with an Inspection and Evaluation (I&E) organization that conducts I&Es in accordance with the Blue Book must undergo an external peer review every three years. The PBGC OIG underwent a review for the period ending June 30, 2020. The review was led by AmeriCorps OIG. The review team assessed the extent to which the PBGC OIG met the seven CIGIE Quality Standards for Inspection and Evaluation. This assessment included a review of PBGC OIG's policies and procedures. The review team also analyzed three inspection and evaluation reports issued between July 1, 2019, and June 30, 2020, to determine whether the reports complied with the covered Blue Book standards and PBGC OIG internal policies and procedures. The review team determined the PBGC OIG policies and procedures and the 3 reports reviewed generally met the 7 Blue Book standards. There are no outstanding recommendations from the review. The peer review report is posted on our website at <https://oig.pbgc.gov/reviews.html>.

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. Our most recent peer review by the Securities and Exchange Commission (SEC) OIG was completed on January 31, 2019. The SEC OIG 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, 2018 had 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 <https://oig.pbgc.gov/pdfs/PeerReview.pdf>

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 a 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.

During this period, we posted one restricted access audit, inspection or evaluation report.

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.	31
Section 5(a)(1)	Significant problems, abuses, and deficiencies.	13-26
Section 5(a)(2)	Recommendations with respect to significant problems, abuses, and deficiencies.	13-26
Section 5(a)(3)	Prior significant recommendations on which corrective action has not been completed.	38
Section 5(a)(4)	Matters referred to prosecutorial authorities.	27-29, 36-37
Section 5(a)(5)	Summary of instances in which information was refused.	30
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.	38-39
Section 5(a)(7)	Summary of each particularly significant report.	9-10, 21-26, 32
Section 5(a)(8)	Statistical table showing number of reports and dollar value of questioned costs.	38-39
Section 5(a)(9)	Statistical table showing number of reports and dollar value of recommendations that funds be put to better use.	38-39
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.	31
Section 5(a)(11)	Significant revised management decisions.	31
Section 5(a)(12)	Significant management decisions with which the Inspector General disagrees.	31
Section 5(a)(13)	Compliance with Federal Financial Management Improvement Act.	31
Section 5(a)(14)	Results of peer review.	31-32
Section 5(a)(15)	Outstanding recommendations from any peer review conducted by another OIG.	31-32
Section 5(a)(16)	Any peer reviews performed by another OIG.	31-32

Section 5(a)(17)	<p>Statistical table showing, during that reporting period, the:</p> <ul style="list-style-type: none"> • Number of investigative reports issued, • Number of persons referred to Department of Justice for criminal prosecution, • Number of persons referred to state and local authorities for criminal prosecution, and • Number of criminal indictments and criminal informations resulting from any prior referrals to prosecutive authorities. 	27, 35-36
Section 5(a)(18)	A description of the metrics used to develop the data for the statistical tables in (a)(17).	37
Section 5(a)(19)	<p>A detailed description of each investigation involving a senior Government employee where allegations of misconduct were substantiated, including:</p> <ul style="list-style-type: none"> • A detailed description of the facts and circumstances of the investigation; and • 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. 	27-28
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. 	30
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. 	32

Statistical Summary of Audit and Investigative Activities

For the Six-Month Period Ending March 31, 2021

Audits/Inspections/Evaluations Issued	
Number of Reports	6
Number of Recommendations	37
Special Reports Issued	
Number of Reports	1
Number of Recommendations	0
Investigative Reports Issued	
Number of Reports	1
Number of Recommendations	0
Open Recommendations	
Open Recommendations Beginning of Period	75
Opened This Period	37
Closed This Period	44
Open Recommendations End of Period	68
Reports with Open Recommendations End of Period	18

Investigative Workload	
Investigations Opened	60
Investigations Closed	57

Persons Referred for Prosecution	Federal Prosecutions	State or Local Prosecutions
Presented	6	0
Accepted	3	0
Declined	4	1

Criminal Actions	Federal Prosecutions	State or Local Prosecutions
Indictments	0	0
Informations	1	0
Criminal Complaints	0	0
Convictions	2	0
Nolo Contenderes	0	0
Sentencings	3	0

Financial Recoveries	Federal Prosecutions	State or Local Prosecutions
Court Ordered Fines, Penalties, and Restitution	\$380,821.35	\$0
Administrative Recoveries	0	\$0

Administrative Actions	
Resignation	1

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

- The number of investigative reports issued is based on those reports sent to management for action. This number does not include investigations closed without a referral to management for action.
- The number of persons referred for prosecution includes any person or corporation that was referred to the U.S. Department of Justice, state, or local authorities for consideration of criminal prosecution.
- The number of criminal actions includes indictments, informations, criminal complaints, convictions, nolo contendere, and sentencings brought against a person or corporation based on prior referrals to prosecution authorities.

Previously Reported Significant Recommendations for which Corrective Action Has Not Been Taken

For the Six-Month Period Ending March 31, 2021

Report Number, Report Title, and Date Issued	Number of Significant Recommendations	Significant Problems and Deficiencies	Summary of Significant Recommendations
2020-02/FA-19-137-1 Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2019 and 2018 Financial Statements 11/15/2019	1	Controls Over Actuarial Estimates.	Perform an experience study to assess reasonableness of multiemployer contingent liability, as well as an analysis of all multiemployer plans exceeding the 10 year Date of Insolvency (DOI), and other possible classified plans, and update/develop documentation practices for DOI insolvency criteria.

Results of Reports Issued

For the Six-Month Period Ending March 31, 2021

Results	Number of Reports	Questioned Costs	Unsupported Costs	Funds Put to Better Use (FPBU)
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	\$4,800,000	\$0	\$0
AUD-2021-01 Internal Controls Must Be Strengthened to Promote Procurement Integrity		\$4,800,000	\$0	\$0
AUD-2021-02 Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2020 and 2019 Financial Statements		\$0	\$0	\$0
AUD-2021-03 Audit of Pension Benefit Guaranty Corporation's Limited		\$0	\$0	\$0

Results	Number of Reports	Questioned Costs	Unsupported Costs	Funds Put to Better Use (FPBU)
Purpose Financial Statements for Fiscal Year 2020				
SR-2021-04 PBGC Security Assessment Report		\$0	\$0	\$0
AUD-2021-05 Pension Benefit Guaranty Corporation's Implementation of the Federal Information Security Modernization Act of 2014 for FY 2020		\$0	\$0	\$0
AUD-2021-06 Fiscal Year 2020 Financial Statement Audit Management Letter Report		\$0	\$0	\$0
EVAL-2021-07 PBGC Can Improve the Effectiveness of the ERM Program		\$0	\$0	\$0
Total (Add A. & B.)	7	\$4,800,000	\$0	\$0
C. For which a management decision was made during the reporting period.	7			
(i) dollar value of disallowed costs.		\$4,800,000	\$0	\$0
(ii) dollar value of costs not disallowed.		\$0	\$0	\$0
(iii) dollar value FFBU agreed to.		\$0	\$0	\$0
(iv) dollar value FFBU not agreed to.		\$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 March 31, 2021

	Recommendation Number	Date Issued	Report Title and Recommendation
1	2015-09-15 (prior FISMA-14-15)	5/6/2015	Fiscal Year 2014 Federal Information Security Management Act Final 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.
2	2016-01-04 (prior OIT-154R)	12/11/2015	Fiscal Year 2015 Vulnerability Assessment and Penetration Testing Report. (RESTRICTED DISCLOSURE) Recommendation text omitted to protect against exploitation of vulnerability; report is restricted disclosure.
3	2017-06-03 (prior BD-04)	2/2/2017	Fiscal Year 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.
4	2017-06-04 (prior BD-05)	2/2/2017	Fiscal Year 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 (CFS) by other departments. The log should be reviewed and reconciled to the realignment of funds requests entered into CFS.
5	2017-06-05 (prior BD-06)	2/2/2017	Fiscal Year 2016 Financial Statement Audit Management Letter Report. Develop a procedures manual detailing the process for processing and authorizing realignment of funds requests. The procedures manual should be reviewed and approved by the Budget Director.
6	2017-08-03 (prior OIT-159R)	2/22/2017	Fiscal Year 2016 Vulnerability Assessment and Penetration Testing Report. (RESTRICTED DISCLOSURE) Recommendation text omitted to protect exploitation of vulnerability; report is restricted disclosure.
7	2018-06-05 (prior FS-17-05)	11/17/2017	Report on Internal Controls Related to the Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2017 and 2016 Financial Statements. OBA should document enhanced account management procedures to ensure a thorough review of accounts is performed during the annual account recertification and that necessary accounts are recertified, and implement compensating controls to verify inactive accounts are deactivated in accordance with PBGC policy.
8	2018-07-04 (prior FISMA-17-04)	12/20/2017	Fiscal Year 2017 Federal Information Security Modernization Act Independent Evaluation Report. PBGC should implement effective processes and procedures to ensure the secure configuration of web servers in accordance with the established configuration

			baselines and document deviations to the established baselines on an as needed basis.
9	2019-11-01 (prior OMA-09)	7/2/2019	PBGC's Use of the Women-Owned Small Business Federal Contracting Program. Assess the organizational alignment of the Office of Small and Disadvantaged Business Utilization Director within the Corporation, taking into consideration the importance of the federal government's philosophy of small business contract programs and the requirements of the Small Business Act.
10	2019-13-02 (prior OIT-172)	9/25/2019	PBGC's Efforts to Reduce the Collection, Maintenance, and Use of Social Security Numbers. Develop a plan, in conjunction with the Privacy Office, to periodically assess data protection risks within information systems across the Corporation to assist in modernization planning.
11	2019-13-03 (prior OGC-43)	9/25/2019	PBGC's Efforts to Reduce the Collection, Maintenance, and Use of Social Security Numbers. Develop and maintain a Corporate-wide plan to eliminate unnecessary collection, maintenance, and use of SSNs.
12	2019-13-04 (prior OGC-44)	9/25/2019	PBGC's Efforts to Reduce the Collection, Maintenance, and Use of Social Security Numbers. Finalize a policy regarding the Privacy Office's review of the new collection and use of SSNs.
13	2019-14-02 (prior OIT-174)	9/27/2019	PBGC's Property Management Program. Perform a risk assessment on assets not located during the annual inventory and follow-up on assets that are deemed <i>high risk</i> .
14	2020-02-05 (prior FS-19-05)	11/15/2019	Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2019 and 2018 Financial Statements. Develop and/or update management's documentation for current practices followed for review and monitoring of the multiemployer DOI criteria.
15	2020-02-10 (prior FS-19-10)	11/15/2019	Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2019 and 2018 Financial Statements. OBA should obtain confirmation of access to server or, in the event the access list cannot be shared, PBGC will pursue viable alternatives to include moving PBGC data to a separate server within the paying agent's data center.
16	2020-02-11 (prior FS-19-11)	11/15/2019	Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2019 and 2018 Financial Statements. Conduct an account recertification of Linux users and groups with access to PBGC PLUS data to verify that only authorized users have access, and the privileges are appropriate.
17	2020-05-01 (prior FISMA-19-01)	12/20/2019	Pension Benefit Guaranty Corporation's Fiscal Year 2019 Compliance with the Federal Information Security Modernization Act of 2014. Maintain a valid agreement for all interconnections, and ensure that agreements are updated as necessary, reviewed annually, and re-issued prior to or upon expiration or upon a major change to ensure appropriate security and privacy controls are implemented.

18	2020-05-02 (prior FISMA-19-02)	12/20/2019	Pension Benefit Guaranty Corporation's Fiscal Year 2019 Compliance with the Federal Information Security Modernization Act of 2014. Improve processes and implement oversight to ensure timeliness of background investigations to be completed for federal employees and contractors.
19	2020-05-03 (prior FISMA-19-03)	12/20/2019	Pension Benefit Guaranty Corporation's Fiscal Year 2019 Compliance with the Federal Information Security Modernization Act of 2014. Update directives, policies, and procedures to reflect current personnel security processes for the timely processing of background investigations.
20	2020-08-01	3/20/2020	PBGC's Agreed Upon Procedures for Contract Closeouts. Review the status of the 30 contracts included in the Agreed Upon Procedures and determine if any can be closed and what closeout work remains. Close contracts that meet the requirements and develop a closure plan for the remaining contracts.
21	2020-08-02	3/20/2020	PBGC's Agreed Upon Procedures for Contract Closeouts. Update procurement guidance to include provisions in accordance with FAR 42.1303(a) when work stoppage may be required.
22	2020-08-03	3/20/2020	PBGC's Agreed Upon Procedures for Contract Closeouts. Provide training to contracting officers and contracting officer representatives on proper acceptance of contract deliverables and closeout procedures for cost reimbursable contracts.
23	2020-08-04	3/20/2020	PBGC's Agreed Upon Procedures for Contract Closeouts. Establish monitoring controls when a contracting officer is also functioning as the contracting officer representative.
24	2020-08-05	3/20/2020	PBGC's Agreed Upon Procedures for Contract Closeouts. Improve controls and oversight processes to ensure only qualified contracts have closeout audits initiated, including contractor status of final vouchers.
25	2020-08-06	3/20/2020	PBGC's Agreed Upon Procedures for Contract Closeouts. Develop and implement a follow-up process to ensure prompt handling of audit findings prior to contract closeout, including tracking of findings from internal audit reports.
26	2020-08-07	3/20/2020	PBGC's Agreed Upon Procedures for Contract Closeouts. For questioned costs (over and under-billing) identified in the Agreed Upon Procedure reports, contracting officers should take required action.

27	2020-11-01	9/23/2020	<p>PBGC Needs to Improve Incentive Contracting Practices.</p> <p>Review and update existing agency guidance on incentive contracting practices to ensure the use of award fee contracts are planned and awarded in accordance with current regulations, and the guidance addresses the concerns of the OMB memorandum of December 2007.</p>
28	2020-11-02	9/23/2020	<p>PBGC Needs to Improve Incentive Contracting Practices.</p> <p>For the on-going Contract #16PBGC20D0002, jointly with the Office of Information Technology, evaluate CPAF contract requirements and determine if any should be converted to firm-fixed-priced task orders.</p>
29	2020-11-04	9/23/2020	<p>PBGC Needs to Improve Incentive Contracting Practices.</p> <p>Provide refresher training for COs and CORs to ensure correct billing to the CLIN.</p>
30	2020-11-05	9/23/2020	<p>PBGC Needs to Improve Incentive Contracting Practices.</p> <p>Verify all key personnel meet the contractor's proposal requirements and secure waivers if exceptions are granted.</p>
31	2020-11-06	9/23/2020	<p>PBGC Needs to Improve Incentive Contracting Practices.</p> <p>Take required actions for the Direct Labor questioned costs of \$175,839 on Contract #PBGC01-D-15-9001.</p>
32	2020-11-07	9/23/2020	<p>PBGC Needs to Improve Incentive Contracting Practices.</p> <p>Improve controls to ensure contract files are properly safeguarded and maintained as required by the FAR and internal procedures.</p>
33	2021-01-02	12/08/2020	<p>Internal Controls Must Be Strengthened to Promote Procurement Integrity.</p> <p>Develop and implement a mechanism in an electronic system to ensure that contract actions that require legal reviews according to PBGC policy receive these reviews and that disagreements with legal sufficiency comments are communicated to OGC.</p>
34	2021-01-03	12/08/2020	<p>Internal Controls Must Be Strengthened to Promote Procurement Integrity.</p> <p>Ensure PD staff members receive periodic training on procurement integrity to identify fraud indicators.</p>
35	2021-02-01	12/09/2020	<p>Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2020 and 2019 Financial Statements.</p> <p>Conduct an experience study for PVFB and PVNRFFA expected retirement age vs. actual retirement age, as well as an experience study for the PVNRFFA withdrawal liability payment collectability and administrative expenses assumption.</p>

36	2021-02-02	12/09/2020	Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2020 and 2019 Financial Statements. Conduct sensitivity analyses over PVNRFFA administrative expenses and over PVFB and PVNRFFA expected retirement age assumptions.
37	2021-02-03	12/09/2020	Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2020 and 2019 Financial Statements. Document rationale for and/or update the PVFB non-seriatim: percent male and smoothing adjustment for benefit projections assumptions.
38	2021-02-04	12/09/2020	Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2020 and 2019 Financial Statements. Document rationale for and/or update the following assumptions and methods: for PVNRFFA: sub case count, sub case attained age, sub-case liability distribution, expected retirement age, expected contribution, normal cost projection and new entrants, administrative expenses, percent male, asset blend and expected return on assets.
39	2021-02-05	12/09/2020	Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2020 and 2019 Financial Statements. Develop and update segregation of duty matrices to reflect the risk of multiple role assignments based on the current business operations of PBGC within the IT systems supporting the financial reporting environment.
40	2021-02-06	12/09/2020	Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2020 and 2019 Financial Statements. Review existing role assignments based on updated segregation of duty matrices for existing conflicts and remediate them as appropriate.
41	2021-02-07	12/09/2020	Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2020 and 2019 Financial Statements. Implement application monitoring controls to mitigate risk associated with required role assignments that violate separation of duty requirements.
42	2021-02-08	12/09/2020	Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2020 and 2019 Financial Statements. Implement preventative mechanisms within their enterprise account management provisioning process to restrict the ability to assign conflicting roles without elevated approvals.
43	2021-02-09	12/09/2020	Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2020 and 2019 Financial Statements. Ensure the enterprise account management solution is synchronized with application roles assigned within the IT systems supporting the financial reporting environment.
44	2021-02-10	12/09/2020	Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2020 and 2019 Financial Statements. Increase the frequency of the periodic review of users with known separation of duties violation to determine management concurrence with the appropriateness of the access and their risk acceptance.
45	2021-05-01	1/21/2021	Pension Benefit Guaranty Corporation's Implementation of the Federal Information Security Modernization Act of 2014 for FY 2020. PBGC should develop and implement a management plan to address supply chain risks with respect to information

			systems and system components. Further, PBGC should educate the acquisition workforce on threats, risk and required security controls for acquired information technology (IT) components.
46	2021-05-02	1/21/2021	Pension Benefit Guaranty Corporation's Implementation of the Federal Information Security Modernization Act of 2014 for FY 2020. Harden the affected servers' cipher suites to avoid the use of weak ciphers and RC4 ciphers, in accordance with the vendor's security leading practices.
47	2021-05-03	1/21/2021	Pension Benefit Guaranty Corporation's Implementation of the Federal Information Security Modernization Act of 2014 for FY 2020. Consider sanitizing the .txt file to not include any sensitive directories or files using the disallow directive. If possible, replace the use of the .txt file with the robots meta tag on specific pages that should be excluded from search engine indices.
48	2021-05-04	1/21/2021	Pension Benefit Guaranty Corporation's Implementation of the Federal Information Security Modernization Act of 2014 for FY 2020. PBGC management should correct the deficiencies in their vulnerability reporting and tracking process to identify source machine/IP and plug-in IDs for critical vulnerabilities with their original report date versus relying upon the first report date identified in their vulnerability tracking report.
49	2021-05-05	1/21/2021	Pension Benefit Guaranty Corporation's Implementation of the Federal Information Security Modernization Act of 2014 for FY 2020. PBGC should implement a modification to the PBGC access termination process to identify those separated employees and contractors who accessed their logical account or physically accessed PBGC facilities after their termination date. Further, once an instance has been identified, PBGC should investigate this inappropriate access for reasonableness and capture details as a potential security incident.
50	2021-05-06	1/21/2021	Pension Benefit Guaranty Corporation's Implementation of the Federal Information Security Modernization Act of 2014 for FY 2020. PBGC should undertake efforts to train the user base on the level of detail required to gain access to CyberArk. Specifically, management should conduct a reasonable review of this activity against approved tickets or other documented, authorized procedures.
51	2021-05-07	1/21/2021	Pension Benefit Guaranty Corporation's Implementation of the Federal Information Security Modernization Act of 2014 for FY 2020. PBGC should conduct an analysis to determine if the current PBGC internal network monitoring capabilities are sufficient to fully support their insider threat program, specifically around the monitoring and disclosure of personally identifiable information (PII) and sensitive banking information. Where appropriate, PBGC should

			deploy additional toolsets to monitor internal transmissions of PII and sensitive banking information for insider threat behavior analytic modeling.
52	2021-05-08	1/21/2021	Pension Benefit Guaranty Corporation's Implementation of the Federal Information Security Modernization Act of 2014 for FY 2020. With the adoption of NIST 800-53 rev5, PBGC should conduct a risk assessment to consider the inclusion of the AU-13 optional control requirements for monitoring information disclosures by internal employees.
53	2021-05-09	1/21/2021	Pension Benefit Guaranty Corporation's Implementation of the Federal Information Security Modernization Act of 2014 for FY 2020. PBGC should conduct a Data Breach tabletop exercise, as well as monitor and analyze qualitative and quantitative performance measures on the effectiveness of its exercise.
54	2021-05-10	1/21/2021	Pension Benefit Guaranty Corporation's Implementation of the Federal Information Security Modernization Act of 2014 for FY 2020. PBGC should utilize the Workforce Assessment Dashboard to determine how to fill gaps through the training or hiring of additional staff or contractors, as well as prepare an estimated timeline to fill this requirement.
55	2021-05-11	1/21/2021	Pension Benefit Guaranty Corporation's Implementation of the Federal Information Security Modernization Act of 2014 for FY 2020. PBGC should share the gaps in the Workforce Assessment Dashboard with hiring managers so they can understand the gaps and vet applicants who have the Knowledge, Skills, and Abilities to perform needed cybersecurity tasks.
56	2021-06-01	2/1/2021	Fiscal Year 2020 Financial Statement Audit Management Letter Report. Conduct an experience study over the spouse age difference for seriatim and phase out liability for unlocatable missing participant assumptions.
57	2021-06-02	2/1/2021	Fiscal Year 2020 Financial Statement Audit Management Letter Report. Document rationale for and/or update the seriatim marital status and smoothing adjustment for lump sum benefit projections assumptions.
58	2021-06-03	2/1/2021	Fiscal Year 2020 Financial Statement Audit Management Letter Report. PBGC should conduct an experience study over the default attained age assumption.
59	2021-06-04	2/1/2021	Fiscal Year 2020 Financial Statement Audit Management Letter Report. PBGC should conduct the appropriate analyses/research/studies to ensure the reasonableness of percentages and thresholds used for promotion and document the rationale behind these analyses.

60	2021-06-05	2/1/2021	<p>Fiscal Year 2020 Financial Statement Audit Management Letter Report.</p> <p>PBGC should develop a schedule for continuous monitoring over thresholds used within key controls and provide details about the time and the frequency of this schedule.</p>
61	2021-06-06	2/1/2021	<p>Fiscal Year 2020 Financial Statement Audit Management Letter Report.</p> <p>EY recommends PBGC formally document the following for all controls that use thresholds as part of review procedures: The detail analysis performed to determine the reasonableness of thresholds applied as part of their review of higher risk or material account balances and to document the continued assessment level of sensitivity and precision of these thresholds.</p>
62	2021-06-07	2/1/2021	<p>Fiscal Year 2020 Financial Statement Audit Management Letter Report.</p> <p>EY recommends the PBGC develop the following: Procedures to analyze or test the quality of participants data from plans processed prior to the implementation of improved controls to ensure any historical errors or trends that may impact the PVFB liability amount are identified and resolved.</p>
63	2021-06-08	2/1/2021	<p>Fiscal Year 2020 Financial Statement Audit Management Letter Report.</p> <p>EY recommends that the Financial Operations Department (FOD) should formally document their rationale for critical alerts that need to be monitored. In addition, develop and implement a process to track, monitor and resolve critical alerts related to processing failures. Specifically, FOD should complete the following:</p> <ul style="list-style-type: none"> - Review their current listing of critical alerts and identify the criteria for each alert on when it needs to be escalated for closure (Days Outstanding, Impact of Failure, etc.) - Establish a formal frequency of review for each alert based on escalation requirements, with appropriate management review and sign-off. - Establish a formal documentation and resolution process for escalated alerts.
64	2021-06-09	2/1/2021	<p>Fiscal Year 2020 Financial Statement Audit Management Letter Report.</p> <p>EY recommends that PBGC management should correct the identified deficiency in their Death Master File process programming logic and deploy the modification to the production environment. In the interim, PBGC should conduct subsequent monitoring to ensure individuals who are both on the stop payment log and the Death Match file are in the correct payee status.</p>
65	2021-07-01	3/2/2021	<p>PBGC Can Improve the Effectiveness of the ERM Program.</p> <p>Develop a succession plan that clearly outlines ERM program duties that the RMO provides.</p>

66	2021-07-02	3/2/2021	<p>PBGC Can Improve the Effectiveness of the ERM Program. Identify contingency support for the RMO so day-to-day operations are not impacted by short-term unavailability of the RMO.</p>
67	2021-07-03	3/2/2021	<p>PBGC Can Improve the Effectiveness of the ERM Program. Develop formal ERM training requirements for Risk Management Council members and department leads to ensure those in management have a consistent knowledge base.</p>
68	2021-07-04	3/2/2021	<p>PBGC Can Improve the Effectiveness of the ERM Program. Update Directive GA-15-01 in accordance with the current standards and requirements.</p>

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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.

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Or Write:
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Office of Inspector General
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