

Office of Inspector General
Pension Benefit Guaranty Corporation

Semiannual Report to Congress

For the Period October 1, 2021 to March 31, 2022



SARC #66

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 the PBGC OIG Spring 2022 Semiannual Report to Congress. The report provides a summary of the OIG's activities from October 1, 2021, through March 31, 2022.

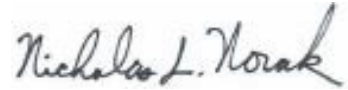
During this reporting period, the OIG's Office of Audits issued nine reports, of which five contained recommendations for improving PBGC operations. Our Office of Investigations continued to focus on its data-matching initiative to identify deceased participants still receiving pension benefits. Since the inception of this proactive project in 2017, OIG investigators identified hundreds of instances of fraud or improper payments in both the Single-Employer and Multiemployer Programs. We continued to provide our findings to the Corporation so it can recoup mistaken payments and, to prosecutors, so they can pursue criminal fraud cases.

In addition to conducting oversight in the above traditional areas, we have ramped up our new oversight of PBGC's implementation of the American Rescue Plan Act's (ARPA) provisions to provide Special Financial Assistance (SFA) to financially troubled multiemployer plans. SFA is the largest, most expensive program in PBGC's history and the first instance of the Corporation supporting its programs with appropriated monies. As of March 31, 2022, PBGC has received 36 SFA applications from eligible Multiemployer plans, requesting approximately \$9 billion. Ultimately, PBGC expects to pay \$97 billion in SFA to over 250 financially troubled plans that cover more than 3 million participants and beneficiaries.

Our SFA work will align with the Biden Administration's commitment to effective implementation and stewardship of ARPA funds. During this reporting period, we reviewed and provided recommendations on PBGC's proposed interim final rules for the SFA Program. To strengthen payment integrity and minimize the risk of waste, fraud, and abuse in the program, we sought the risk analysis expertise of the Pandemic Response Accountability Committee and brought on board additional auditors to help us analyze the SFA applications of Multiemployer plans. We also shared with the Corporation our plan to conduct risk modeling based on SFA application data from Multiemployer plans.

As we tackle our unprecedented oversight mission into the SFA program, I would like to express my appreciation to PBGC's Board and to the Corporation for their commitment to supporting the important work of our Office.

Respectfully submitted,

A handwritten signature in black ink that reads "Nicholas J. Novak". The signature is written in a cursive style with a large, prominent initial "N".

Nicholas J. Novak
Inspector General

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Contents

Statement Regarding Plain Writing	vii
Abbreviations	vii
Executive Summary	9
Background	12
Pension Benefit Guaranty Corporation	12
The Office of Inspector General	13
Management Challenges	15
Information Security.....	15
Modernization of PBGC’s Key Benefits-Related Information Technology Systems	16
Transparency and Accountability of Professional Services Contracting.....	19
In Focus	21
Data Analytics Drive Special Financial Assistance Oversight.....	21
Audits, Evaluations, and Reviews	23
Financial Audits and Related Work.....	23
Audit of the Pension Benefit Guaranty Corporation’s Fiscal Year 2021 and 2020 Financial Statements.....	23
Audit of the Pension Benefit Guaranty Corporation’s Limited Purpose Financial Statements for FY 2021 and 2020	24
Fiscal Year 2021 Financial Statement Audit Management Letter Report	24
Pension Benefit Guaranty Corporation’s Implementation of the Federal Information Security Modernization Act of 2014 for FY 2021	24
Performance Audits, Evaluations and Special Reports.....	25
PBGC’s Compliance with the DATA Act.....	25
PBGC Can Improve the Effectiveness of the Missing Participants Program	25

Survey of PBGC’s Contracting Officers’ Representatives.....	26
PBGC Security Assessment Report	26
Risk Assessment of PBGC’s Implementation of Special Financial Assistance.....	26
On-Going Performance Audits and Related Work.....	27
PBGC’s Fiscal Year 2021 Compliance with the Payment Integrity Information Act of 2019	27
Audit of Pension Benefit Guaranty Corporation’s Financial Statements for FY 2022 and Related Work	27
Evaluation of PBGC's Purchase Card Program.....	28
Evaluation of Hotline Complaints Regarding a PBGC Contract.....	28
PBGC’s Review of Initial Special Financial Assistance Applications	28
Evaluation of PBGC’s Implementation of the American Rescue Plan Act’s Special Financial Assistance Program.....	28
Investigative Activities	29
Deceased Participants Program	29
Special Financial Assistance Outreach	29
OIG Hotline.....	29
Senior Government Employee Substantiated Misconduct Investigations	30
Instances of Whistleblower Retaliation	30
Congressional Requests.....	30
Other OIG Statutory Reporting	30
Access to Information.....	30
Interference with Independence.....	30
Outstanding Management Comment and Unimplemented Recommendations.....	31
Management Decisions	31
Compliance with Federal Financial Management Improvement Act	31

Review of Proposed Statutory and Regulatory Changes	31
Peer Review.....	31
Restricted Access Audit, Inspection or Evaluation Reports.....	32
Cross-Reference to Reporting Requirements of the Inspector General Act.....	33
Statistical Summary of Audit and Investigative Activities	35
Previously Reported Significant Recommendations for Which Corrective Action Has Not Been Taken.....	38
Results of Reports Issued.....	39
Summary of PBGC Open Recommendations.....	41

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

ARPA	American Rescue Plan Act
BCV	Benefits Calculation and Valuation
CIGIE	Council of the Inspectors General on Integrity and Efficiency
COR	Contracting Officer's Representative
CPAF	Cost-Plus-Award-Fee
CRM	Customer Relationship Management
DATA Act	Digital Accountability and Transparency Act of 2014
DOJ	Department of Justice
ERISA	Employee Retirement Income Security Act of 1974
EY	Ernst and Young, LLP
FedRAMP	Federal Risk and Authorization Management Program
FISMA	Federal Information Security Modernization Act
FY	Fiscal Year
GAO	Government Accountability Office
I&E	Inspections and Evaluations
IG Act	Inspector General Act of 1978
IPVFB	Integrated Present Value of Future Benefits
IT	Information Technology
MPP	Missing Participants Program
My PAA	My Plan Administration Account
MY PBA	My Pension Benefit Access
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
ONR	Office of Negotiations and Restructuring
PACE	Pandemic Center of Excellence
PBGC	Pension Benefit Guaranty Corporation
PD	Procurement Department
PII	Personally Identifiable Information
PRAC	Pandemic Response Accountability Committee
SEC	Securities and Exchange Commission

SFA	Special Financial Assistance
SSN	Social Security Number
U.S.C.	United States Code

Executive Summary

During the period October 1, 2021 through March 31, 2022, we:

- Closed 36 recommendations and issued 15 new recommendations. The total number of open audit recommendations is 41. (P. 23)

Issued the following reports:

- **Audit of the Pension Benefit Guaranty Corporation’s Fiscal Years 2021 and 2020 Financial Statements.** The financial statements presented fairly, in all material respects, the financial position of the Single-Employer and Multiemployer program funds and the results of their operations and cash flows for the years then ended, in accordance with accounting principles generally accepted in the U.S. This is the 29th consecutive unmodified financial statement audit opinion. PBGC maintained, in all material respects, effective internal control over financial reporting as of September 30, 2021. (P. 23)
- **Audit of the Pension Benefit Guaranty Corporation’s Limited Purpose Financial Statements for FY 2021 and FY 2020.** The Supplemental Information is fairly stated, in all material respects, in relation to the financial statements as a whole. (P. 24)
- **Fiscal Year 2021 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. (P. 24)
- **Pension Benefit Guaranty Corporation’s Implementation of the Federal Information Security Modernization Act of 2014 for FY 2021.** PBGC's information security program was found to be effective with all five of the Inspector General metric function areas assessed at *Managed* and *Measurable*. (P. 24)
- **PBGC’s Compliance with the DATA Act.** Overall, we rated PBGC data results to be of “excellent” quality based on the established standards. However, we observed some inconsistencies, variances, and errors that might have impacted PBGC’s reporting of reliable and consistent federal spending data for public use. (P. 25)

- **PBGC Can Improve the Effectiveness of the Missing Participants Program.** We found the program lacks performance measures and goals, which are necessary to support this program and the strategic objective. The Missing Participants Program (MPP) uses a live database to store program information. We found this database was not reliable and could be improved with standardized data practices, synchronization of data when changes are made, and regular purging of old data. Last, we found MPP's interim procedures do not reflect the current MPP business practices; this happened because PBGC created the procedures before any MPP work was done and did not revisit them after establishing the business practices. (P. 25)
- **Survey of PBGC Contracting Officers' Representatives.** We obtained Contracting Officers' Representatives (CORs) views of PBGC contract administration and related areas. The survey had positive results overall; however, respondents identified some areas for improvement. One area is the timeliness of the source selection process. In addition, turnover among Contracting Officers was the most common response to an open-ended question regarding challenges facing CORs. (P. 26)
- **PBGC Security Assessment Report.** This report includes no formal recommendations as they are consolidated and presented in the FY 2021 Federal Information Security Modernization Act of 2014 (FISMA) report. We determined this report is for official use only. (P. 26)
- **Risk Assessment of PBGC's Implementation of Special Financial Assistance.** This report is advisory in nature and is intended solely for information and use by OIG and PBGC management. The report contains no formal recommendations. However, PBGC has the opportunity to further assess whether existing processes are commensurate with its new risk context and mitigate those risks to the extent possible. (P. 26)

Continued to focus investigative resources on:

- **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. (P. 29)
- **Special Financial Assistance Outreach.** To prepare for investigative activities that may develop from the Special Financial Assistance Program, meetings were held with management from the Department of Labor's (DOL) Employee Benefit Security Administration and the Office of Labor-Management Standards. (P. 29)

- **OIG Hotline.** The Hotline not only serves as a tool to report fraud, waste, and abuse, but also provides a method for participants to report missing benefits, seek assistance with applying for benefits, and report mistreatment by a caregiver or family member. (P. 29)

Background

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 (DOL) 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 insures the pension benefits of more than 33 million American workers and retirees who participate in about 25,000 private-sector defined-benefit plans through its single-employer and multiemployer insurance programs. Historically, the Corporation has not received general tax revenues. Operations are financed by insurance premiums set by statute and paid by sponsors of defined-benefit plans, investment income, assets from pension plans trusted by PBGC, and recoveries from the companies formerly responsible for the plans. In FY 2021, PBGC paid over \$6.4 billion in retirement benefits to nearly 970,000 participants in over 5,000 single-employer plans. It also paid \$230 million in financial assistance to 109 multiemployer plans.¹ It manages approximately \$154 billion in total assets between the two programs.

For the first time in its 48-year history, PBGC received taxpayer funds to provide Special Financial Assistance (SFA) to financially troubled multiemployer plans under ARPA. Congress and the President created the SFA program to provide an estimated \$97 billion in assistance to more than 200 eligible plans that are severely underfunded. In July 2021, PBGC published an interim final rule implementing a new SFA Program for financially troubled Multiemployer defined-benefit pension plans. The rule is subject to change after PBGC considers public comments. As of March 31, 2022, 36 plans submitted applications, with the requested SFA amount totaling approximately \$9 billion. PBGC approved 8 of these applications for a total of \$1.9 billion. OIG oversight of the SFA Program is crucial to guard against fraud, waste, and mismanagement of funds.

Even with SFA, PBGC's long-term financial future remains uncertain, due in part to the collective risk of the many underfunded pension plans PBGC insures and a long-term decline in the number of traditional defined-benefit plans. The Government Accountability Office (GAO) designated the Single-Employer program in 2003, and the Multiemployer Program in 2009, as high-risk. GAO's March 2021 high-risk report highlighted that PBGC faced both an immediate

¹ Unless otherwise cited, the figures contained in this section are based on PBGC's 2021 Annual Report.

and critical challenge with its Multiemployer Program and long-term risks with its Single-Employer program. Also in March 2022, GAO issued another report in their high-risk series focused on, *Key Practices to Successfully Address High-Risk Areas and Remove Them from the List*. In this report, GAO detailed the Congressional action needed to mitigate PBGC's financial risks. Although the SFA does extend the life of the Multiemployer Program, PBGC's financial condition has fluctuated over time and still faces fundamental financial risks, such as underfunded plans sponsored by employers who have an elevated risk of bankruptcy, a wide range of projected financial outcomes for the Multiemployer Program despite the relief provided by ARPA, and premiums that do not completely reflect the risk a plan poses to PBGC's finances.

At the end of FY 2021, PBGC's net position in the Single-Employer program was approximately \$31 billion and its net position in the Multiemployer Program was approximately \$478 million. For FY 2021, PBGC's estimate of the reasonably possible exposure to loss in the Single-Employer program improved to \$105 billion. PBGC's estimate of its Multiemployer Program's reasonably possible exposure decreased to \$329 million in FY 2021. The primary reason for the decreases in exposure was the net effect of removing 13 plans that are no longer classified as reasonably possible (\$6.552 billion decrease) while only two new plans are classified as reasonably possible (\$147 million increase). Another driver of the decreases was the decline in the reasonably possible small plan bulk reserve due to adjustments made to account for the new SFA program.

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 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 (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 Deputy 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 our 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; to support this, we completed our bi-annual update to our internal risk assessment of PBGC. 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 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. In addition, two of our auditors are part of the CIGIE Leading, Inspiring, and Fostering Talent Network, an audit manager participates in CIGIE’s Enterprise Risk Management Working Group, and an analyst is a member of CIGIE’s Quality Assurance Working Group. Finally, we actively support Diversity, Equity & Inclusion within the community and throughout our office. An auditor serves on the CIGIE Diversity, Equity & Inclusion Work 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 2021, the Corporation paid over \$6.4 billion in benefits to more than 970,000 participants in Single-Employer plans, and \$230 million in financial assistance to 109 multiemployer plans covering the benefits of 80,786 participants. 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 (SSNs) 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 36 recommendations between the financial statement and 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 Information Technology (IT) security as a strategic objective within their Strategic Goal to maintain a *High Standard of Stewardship and Accountability*. In our FY 2015 internal controls report, IT conditions we previously reported as *material weaknesses* resulting in an adverse opinion on internal control being downgraded to *significant deficiencies*. Management's corrective actions resulted in (1) entity-wide security program planning and management and (2) access control and configuration management no longer being reported as *significant deficiencies* as of FY 2017 and FY 2020. In FY 2020, we identified a new *significant deficiency* regarding segregation of duties controls over information systems, which PBGC resolved in FY 2021. As of September 30, 2021, PBGC has one significant deficiency: Lack of Reevaluation of Policies, Procedures and Controls when Significant Changes to Programs Occur.

For FY 2021, PBGC's information security program was found to be effective with all five of the IG metric function areas assessed at *Managed and Measurable*. Improvements were noted in all five of the function areas and the maturity level for *Identify, Protect and Recover* was raised from

Consistently Implemented to Managed and Measurable. However, continued focus is needed from PBGC management to maintain an effective program. In this report, we issued three new recommendations related to PBGC's identity and access management program and noted additional attention is needed to mature the new supply chain risk management domain.

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 SSNs. The types of work vary by office and individual, but include access to SSNs 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 SSNs, continued progress is needed across the organization to more narrowly grant access based on individual employees' duties in accordance with the principle of least privilege. Limits of PBGC's technology affect both its ability to conceal SSNs when not needed and to secure SSNs and other PII. As PBGC plans and continues modernizing its systems, limiting access to SSNs with the latest IT technology should be considered.

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 most recent 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 Office of Management and Budget (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 modernizing portions of its Participant Management program (PMP). The PMP 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. The PMP administers benefits to more than 1.5 million participants in PBGC-trusted plans and facilitates approximately \$6 billion in payments to around 1 million retirees or their beneficiaries.

Our office continued to identify the importance of modernizing IT systems and management has made some progress in this area. In 2019, testing of the Present Value Future-Benefit liability revealed errors caused by IT systems limitations or programming flaws, as well as data entry errors and inaccurate use of plan data provisions. PBGC has reported several modernization projects affecting key benefits and premium-related IT systems being on schedule, including BCV, Customer Relationship Management (CRM) and MyPAA (PBGC's premium collection system).

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 1 of the BCV modernization at the end of FY 2020, which consolidated case-specific plan and participant data stored across thousands of databases into a single, secure, centralized database. Phase 2 was deployed on October 4, 2021 and modernized the benefit calculation components to web-based technology and modernized 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.

QuEST 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. QuEST replaced the legacy CRM and My PBA systems with a platform hosted in the cloud, and leverages GSA's *login.gov* – a Federal Risk and Authorization Management Program (FedRAMP)² approved authentication and identity proofing platform – to improve system security. The CRM modernization has been completed but PBGC continues to work on improvements and future enhancements to the system.

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

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. The My PAA replacement has been completed.

PBGC's Office of Negotiations and Restructuring (ONR)–Office of the General Counsel (OGC) Case Management Modernization is set to replace the Risk Management and Early Warning and Legal Edge for Windows systems, which have reached their end-of-service-life. The modernized solution plans to maximize Commercial Off-the-Shelf functionality and continue PBGC's migration of mission critical applications to the Microsoft Cloud utilizing both the Microsoft Dynamics platform, as well as Microsoft Azure IaaS/PaaS. The modernization is scheduled to be complete in FY 2023.

To mitigate some of the risk of modernization projects, PBGC reported using agile development methodologies and holding bi-weekly executive briefings. In addition, per suggestion from the OIG, PBGC-OIT provided information related to project costs in the public domain for significant IT modernization efforts. This process was initiated with the ONR-OGC Case Management Modernization, CRM modernization effort, My PAA Replacement, BCV Phase I, and BCV Phase II, and will continue for future significant IT modernization efforts.

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 conducting critical legacy system modernization, we continue to identify PBGC's modernization efforts as a top management challenge and 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 260 federal employees supported by over 700 contractor staff. Within these totals, OBA's two primary field offices, which oversee the day-to-day benefits administration activities and the Customer Contact Center for PBGC's trustee and non-trustee plans, are staffed with about 500 contractor employees. In addition, OIT has approximately 120 federal employees and 340 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 FY 2021, PBGC became the trustee for the Exide Pension Plan, which covers about 8,700 current and future retirees. Although PBGC has not seen an influx of plan terminations, the agency may be at risk for higher-than-normal volume if economic conditions decline.

Our office has raised concerns for many years about PBGC management's oversight of professional services contracts. Most recently, our June 2021 evaluation found that PBGC's acquisition planning for actuarial support services did not meet its needs timely and effectively. PBGC relies on actuarial contractors to help pay timely and accurate benefits to participants in Single-Employer pension plans trustee by PBGC. In a previous audit initiated after the former PBGC Procurement Department (PD) Director's guilty plea in May 2020, we found 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 Regulations. To its credit, PBGC rectified 10 of the 15 recommendations from these audits since their issuance and progress has been made on the remaining 5. We anticipate 4 of the 5 to be submitted for OIG review in FY 2022.

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

Data Analytics Drive Special Financial Assistance Oversight

Once PBGC initiated the multi-billion dollar SFA Program, we knew we had to expand our capacity to prevent fraud, waste, and abuse in the program. Initially, we hired additional audit staff to oversee the Corporation's distribution of the billions in SFA funds; however, we needed to do more. So, in the fall of 2021, we arranged with the Pandemic Response Accountability Committee's (PRAC's) Pandemic Center of Excellence (PACE) to assist us with the development of a risk model and dashboard, or user-friendly display of the data, that focused on the SFA applications submitted by plans.

Because PBGC will receive multiple SFA applications with only 120 days to decide on each plan's application, we have to timely determine the fraud risk associated with each application and, from that, prioritize our oversight efforts. The question for us was:



What is an Application's Risk Score to Inform Level of Attention and Time Required?

To help answer this, we are analyzing 10 years of Form 5500³ data from DOL's Employee Benefit Security Administration. That data will form the backbone of the dashboard we are developing with the PRAC and together we are finalizing the risk metrics for the model, which is in the final stages of development. We expect the dashboard to be in

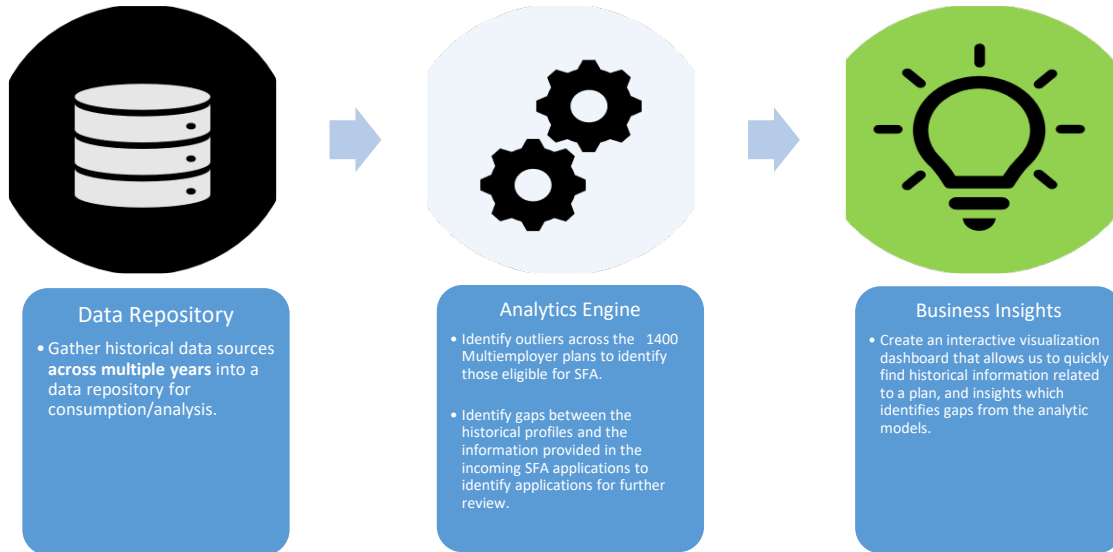
Pandemic Response Accountability Committee

- Conducts independent oversight of American Rescue Plan Act spending and coordinates efforts among member federal IGs.
- Responsible for overseeing nearly \$5 trillion distributed among 426 programs administered by 40 federal agencies.
- Created the Pandemic Center of Excellence to deliver analytic, audit, and investigative support to the oversight community and give them access to more than 150 million records.
- Data scientists use advanced tools, like machine learning, to look for trends, patterns, and anomalies in pandemic spending data.

³ The Form 5500 Series is an important compliance, research, and disclosure tool for the Department of Labor, a disclosure document for plan participants and beneficiaries, and a source of information and data for use by other Federal agencies, Congress, and the private sector in assessing employee benefit, tax, and economic trends and policies.

production in Spring 2022. Figure I below depicts the phases of the development of the risk model and dashboard.

Figure I: Development Process for the SFA Application Risk Model and Dashboard



Source: PRAC and PBGC OIG Project Kick-Off Briefing

This model will greatly assist our staff in identifying potential high-risk or fraudulent applications and allow us to allocate resources more efficiently.

Audits, Evaluations, and Reviews

Summary of Performance

Category	Number
Open Recommendations Beginning of Period	62
Opened This Period	15
Closed This Period	36
Open Recommendations End of Period	41
Reports with Open Recommendations End of Period	17

Financial Audits and Related Work

Audit of the Pension Benefit Guaranty Corporation’s Fiscal Year 2021 and 2020 Financial Statements

(AUD-2022-02, issued on November 15, 2021)

<https://oig.pbgc.gov/summaries/AUD-2022-02.html>

We contracted with the independent public accounting firm, Ernst and Young (EY) LLP to audit the Financial Statements and oversaw EY’s performance of the audit. EY determined the financial statements presented fairly, in all material respects, the financial position of the Single-Employer and Multiemployer Program funds and the results of their operations and cash flows for the years then ended, in accordance with accounting principles generally accepted in the U.S. This is the 29th consecutive unmodified financial statement audit opinion. Although certain internal controls could be improved, PBGC maintained, in all material respects, effective internal control over financial reporting as of September 30, 2021. As of that date, PBGC has one significant deficiency: “Lack of Reevaluation of Policies, Procedures and Controls When Significant Changes to Programs Occur.” This report included two recommendations which PBGC agreed with and provided planned corrective actions and estimated completion dates.

Audit of the Pension Benefit Guaranty Corporation's Limited Purpose Financial Statements for FY 2021 and 2020

(AUD-2020-03, issued November 15, 2021)

<https://oig.pbgc.gov/summaries/AUD-2022-03.html>

We contracted with EY to perform this audit. They 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.

Fiscal Year 2021 Financial Statement Audit Management Letter Report

(AUD-2022-06, issued on January 14, 2022)

<https://oig.pbgc.gov/summaries/AUD-2022-06.html>

This management letter summarizes EY's findings and recommendations related to PBGC's internal control deficiencies and other matters. The issues noted in this report were not significant; and therefore, the deficiencies were not required to be reported in the Independent Auditor's Report (AUD-2022-02). However, the observations and recommendations offer opportunities for PBGC to strengthen its operations.

In addition to 8 open recommendations from prior years, in FY 2021, EY issued 4 new recommendations with the total of 12 open recommendations at the end of FY 2021. PBGC management agreed with the new recommendations and provided planned corrective actions and estimated completion dates.

Pension Benefit Guaranty Corporation's Implementation of the Federal Information Security Modernization Act of 2014 for FY 2021

(AUD-2022-07, issued February 3, 2022)

<https://oig.pbgc.gov/summaries/AUD-2022-7.html>

We contracted with EY to perform an evaluation of PBGC's information security program. Our independent public accountants reviewed a sample of six systems and completed fieldwork to address the FY 2021 IG FISMA Metrics developed by OMB, the Department of Homeland Security, and CIGIE.

For FY 2021, PBGC's information security program was found to be effective with all five of the IG metric function areas assessed at *Managed and Measurable*. Improvements were noted in all five of the function areas and the maturity level for *Identify, Protect and Recover* were raised from *Consistently Implemented* to *Managed and Measurable*. However, continued focus is needed from PBGC management to maintain an effective program. In this report, EY issued three new

recommendations related to PBGC's identity and access management program and noted additional attention is needed to mature the new supply chain risk management domain. PBGC agreed with the recommendations and provided planned corrective actions and estimated completion dates.

Performance Audits, Evaluations and Special Reports

PBGC's Compliance with the DATA Act

(AUD-2022-01, issued October 14, 2021)

<https://oig.pbgc.gov/summaries/AUD-2022-01.html>

PBGC generally complied with the requirements for completeness, timeliness, quality, and accuracy of the data, and implementation and use of the government-wide financial data standards established by OMB and Treasury. Overall, we rated PBGC data results to be of “excellent” quality based on the established standards. However, we observed some inconsistencies, variances, and errors that might have impacted PBGC’s reporting of reliable and consistent federal spending data for public use. Some of these errors were attributable to third parties, such as the Federal Procurement Data System-Next Generation and System for Award Management. In addition, we found that although PBGC timely reported the 59 procurement awards in our sample, it did not consistently report the financial assistance awards timely to comply with the 30-day time limit in the Federal Funding Accountability and Transparency Act. In our sample, 13 of 53 (25% rounded) financial assistance awards were not reported timely. This report made one recommendation to PBGC related to the submission of financial assistance awards, modifications and corrections in a timely manner. PBGC agreed to the recommendation and is implementing corrective actions.

PBGC Can Improve the Effectiveness of the Missing Participants Program

(EVAL-2022-04, issued January 7, 2022)

<https://oig.pbgc.gov/summaries/EVAL-2022-04.html>

We found that PBGC could improve the effectiveness of its program to locate missing participants. Efforts to reduce the number of missing participants and reunite them with their benefits are a core activity of the Corporation. Although PBGC has a process in place to administer the Missing Participants Program (MPP) and includes this area as a strategic objective, having a process is not enough. We found the program lacks performance measures and further implementation through performance goals, which are necessary to support this program and the strategic objective. The MPP uses a live database to store program information, and we found this database was not reliable and could be improved with standardized data practices, synchronization of data when changes are made, and regular purging of old data. Last, we found the MPP’s interim procedures do not reflect the current

MPP business practices; this happened because PBGC created the procedures before any MPP work was done and did not revisit them after establishing the business practices. Management concurred with all five recommendations and agreed to take the corrective actions identified in the report.

Survey of PBGC's Contracting Officers' Representatives

(SR-2022-05, issued January 10, 2022)

<https://oig.pbgc.gov/summaries/SR-2022-05.html>

This memorandum report presents the results of our survey of PBGC Contracting Officers' Representatives (CORs). We obtained their views on PBGC contract administration and related areas. The survey had positive results overall; however, respondents identified some areas for improvement. The majority of CORs responding to the survey had six or more years of experience and were mid- to senior-level employees. Most respondents agreed with statements regarding having enough time for COR duties, receiving adequate training, and other areas. Respondents also indicated they were knowledgeable about various areas related to their COR duties, such as reviewing contractor invoices. One potential area for improvement is the timeliness of the source selection process. In addition, turnover among Contracting Officers was the most common response to an open-ended question regarding challenges facing CORs.

PBGC Security Assessment Report

(SR-2022-08, issued February 3, 2022)

<https://oig.pbgc.gov/summaries/SR-2022-08.html>

As part of the financial statement audit, we contracted with EY to assess PBGC's network for technical weaknesses that may allow employees or outsiders to harm or impact PBGC's business processes and information. This report includes no formal recommendations as they are consolidated and presented in the FY2021 FISMA report. We 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.

Risk Assessment of PBGC's Implementation of Special Financial Assistance

(SR-2022-09, issued March 17, 2022)

<https://oig.pbgc.gov/summaries/SR-2022-09.html>

We contracted with EY to perform a Risk Assessment of PBGC's implementation of its Special Financial Assistance program. Based on the information gathered during this Risk Assessment, EY identified several risk categories that would generally be considered by organizations with a similarly situated risk context. This report is advisory in nature and is intended solely for information and use of OIG and management of PBGC. The report contains no formal recommendations. However, PBGC has the opportunity to further assess whether existing

processes are commensurate with its new risk context and mitigate those risks to the extent possible.

On-Going Performance Audits and Related Work

PBGC's Fiscal Year 2021 Compliance with the Payment Integrity Information Act of 2019

(Project No. EV-22-163, announced December 8, 2021)

https://oig.pbgc.gov/pdfs/Ann_EV-22-163.pdf

We are conducting this engagement to determine whether, in the Payment Integrity section of the FY 2021 Agency Financial Report/Performance and Accountability Report and accompanying materials, PBGC met all requirements of the Payment Integrity Information Act of 2019. We will also evaluate the Corporation's efforts to prevent and reduce improper payments.

Audit of Pension Benefit Guaranty Corporation's Financial Statements for FY 2022 and Related Work

(Project No. FA-22-165, announced March 17, 2022)

https://oig.pbgc.gov/pdfs/Ann_FA-22-165.pdf

OIG has contracted with EY to conduct, subject to OIG oversight, the financial statements audit. The financial statement audit report will be issued on November 15, 2022. The purpose of this audit is to express an opinion as to whether PBGC's financial statements are prepared in accordance with prescribed accounting principles. The audit scope includes:

- General-purpose financial statements, including related notes, of the Single-Employer Program and Multiemployer Program;
- Internal controls over financial reporting;
- Compliance with laws, including FISMA, and regulations;
- Limited-purpose financial statements, including related notes, for the government-wide consolidated financial statements; and
- IT vulnerability assessment and penetration testing.

Evaluation of PBGC's Purchase Card Program

(Project No. EV-21-157, announced May 26, 2021)

https://oig.pbgc.gov/pdfs/Ann_EV-21-157.pdf

Our objective is to analyze the risks of illegal, improper, or erroneous purchases and payments associated with PBGC's purchase card program for FY 2020 to determine whether the Corporation's internal controls are sufficient to detect and prevent fraud, waste, and abuse. We obtained purchase card transactions from FY 2019 through June 2021. We are reviewing purchase card transaction documents, as well as designed controls over those transactions. We expect to issue this report in FY 2022.

Evaluation of Hotline Complaints Regarding a PBGC Contract

(Project No. EV-22-162, announced December 20, 2021)

https://oig.pbgc.gov/pdfs/Ann_EV-22-162.pdf

We received two confidential hotline complaints alleging a contractor billed PBGC for work not completed and overbilling by a contractor employee that was not properly addressed by the contractor. This engagement will evaluate whether the allegations have merit and warrant management attention.

PBGC's Review of Initial Special Financial Assistance Applications

(Project No. PA-22-164, announced on December 20, 2021)

https://oig.pbgc.gov/pdfs/Ann_PA-22-164.pdf

We are conducting this audit to determine if PBGC adequately reviewed SFA applications prior to approving them.

Evaluation of PBGC's Implementation of the American Rescue Plan Act's Special Financial Assistance Program

(Project No. EV-21-161, announced September 15, 2021)

https://oig.pbgc.gov/pdfs/Ann_EV-21-161_002.pdf

Our objectives for this evaluation are to determine whether PBGC's policies, procedures, and controls are sufficient to deliver timely and appropriate SFA to eligible multiemployer plans and determine the adequacy of PBGC's procedures used to identify plans eligible for SFA.

Investigative Activities

Summary of Performance

Criminal Actions	Federal Prosecutors	State or Local Prosecutors
Indictments	0	0
Informations	0	0
Convictions	0	0
Sentencings	0	0

During this reporting period, we continued to address the integrity of PBGC operations. We focused investigative resources on deceased participant fraud, SFA outreach, and assisted PBGC participants who contacted the OIG Hotline regarding their pension benefits.

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. During this period, we identified over \$175,000.00 in improper payments or fraud relating to deceased participants in the Single-Employer and Multiemployer Programs and referred those cases to PBGC to terminate benefit payments and seek recoupment.

Special Financial Assistance Outreach

To prepare for investigative activities that may develop from the SFA program, we held meetings with officials from the Department of Labor’s Employee Benefit Security Administration and Office of Labor-Management Standards. During these meetings, OIG provided information about PBGC’s SFA program, including the mechanics of the program and our oversight plans, and we discussed fraud and other program risks. The meetings served to develop a line of communication and coordination for future actions.

OIG Hotline

The OIG Hotline serves as a tool to report fraud, waste, and abuse, but also provides a method for participants to report missing benefits, seek assistance with applying for benefits and report mistreatment by a caregiver or family member.

Senior Government Employee Substantiated Misconduct Investigations

During this reporting period, we did not complete any investigations involving a senior government employee⁴ 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.

⁴ “[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's proposed changes to laws and regulations. To strengthen payment integrity and minimize the risk of waste, fraud, and abuse in the SFA program, we reviewed and provided recommendations on PBGC's proposed interim final rules.

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 I&E 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 three reports reviewed generally met the seven 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>.

At last reporting, the Nuclear Regulatory Commission (NRC) OIG was conducting a peer review of our audit organization. The review covered the period from October 1, 2018 to September 30, 2021. Unfortunately, NRC OIG terminated its review due to the appearance of a conflict of interest. Subsequent to the termination, we signed a Memorandum of Understanding on February 6, 2022, for an external peer review to be conducted by the Office of Inspector General for the Board of Governors of the Federal Reserve System and the Bureau of Consumer Financial Protection. We had our opening meeting with this OIG on February 23, 2022, and they have begun their work. We expect the final peer review report to be issued by July 31, 2022.

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 communicate 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.	15-28
Section 5(a)(2)	Recommendations with respect to significant problems, abuses, and deficiencies.	15-28
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.	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.	39-40
Section 5(a)(7)	Summary of each particularly significant report.	9-10, 23-28, 32
Section 5(a)(8)	Statistical table showing number of reports and dollar value of questioned costs.	39-40
Section 5(a)(9)	Statistical table showing number of reports and dollar value of recommendations that funds be put to better use.	39-40
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. 	29, 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 the Department of Justice (DOJ), the date of referral and, if declined by DOJ, the date of declination. 	30
Section 5(a)(20)	<p>(A) detailed description of any instance of whistleblower retaliation, including information about the official found to have engaged in retaliation; and</p> <p>(B) what, if any, consequences the establishment actually imposed to hold the official described in subparagraph (A) accountable.</p>	30
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, 2022

Audits/Inspections/Evaluations Issued	
Number of Reports	6
Number of Recommendations	15
Special Reports Issued	
Number of Reports	3
Number of Recommendations	0
Investigative Reports Issued	
Number of Reports	0
Number of Recommendations	0
Open Recommendations	
Open Recommendations Beginning of Period	62
Opened This Period	15
Closed This Period	36
Open Recommendations End of Period	41
Reports with Open Recommendations End of Period	17

Investigative Workload	
Investigations Opened	24
Investigations Closed	106

Persons Referred for Prosecution	Federal Prosecutions	State or Local Prosecutions
Presented	7	2
Accepted	1	1
Declined	7	0

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

Financial Recoveries	Federal Prosecutions	State or Local Prosecutions
Court Ordered Fines, Penalties, and Restitution	\$0	\$10,275.76

Administrative Actions	
Debarments	0
Administrative Recoveries	\$175,042.00

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, or 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, 2022

Report Number, Report Title, and Date Issued	Number of Significant Recommendations	Significant Problems and Deficiencies	Summary of Significant Recommendations
	None	None	

Results of Reports Issued

For the Six-Month Period Ending March 31, 2022

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.	9	\$0	\$0	\$0
PBGC's Compliance with the DATA Act		\$0	\$0	\$0
Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2021 and 2020 Financial Statements		\$0	\$0	\$0
Audit of Pension Benefit Guaranty Corporation's Limited Purpose Financial Statements for Fiscal Year 2021 and 2020		\$0	\$0	\$0
PBGC Can Improve the Effectiveness of the Missing Participants Program		\$0	\$0	\$0
Survey of PBGC Contracting Officers' Representatives		\$0	\$0	\$0
Fiscal Year 2021 Financial Statement Audit Management Letter Report		\$0	\$0	\$0
Pension Benefit Guaranty Corporation's Implementation of the Federal Information Security Modernization Act of 2014 for FY 2021		\$0	\$0	\$0
PBGC Security Assessment Report		\$0	\$0	\$0
Risk Assessment of PBGC's Implementation of Special Financial Assistance		\$0	\$0	\$0
Total (Add A. & B.)	9	\$0	\$0	\$0
C. For which a management decision was made during the reporting period.	0			
(i) dollar value of disallowed costs		\$0	\$0	\$0
(ii) dollar value of costs not disallowed		\$0	\$0	\$0
(iii) dollar value FPBU agreed to		\$0	\$0	\$0
(iv) dollar value FPBU 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, 2022

	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	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.
4	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> .
5	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.
6	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.
7	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.

8	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.
9	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.
10	2020-11-02	09/23/2020	PBGC Needs to Improve Incentive Contracting Practices. For the ongoing 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.
11	2021-01-02	12/08/2020	Internal Controls Must Be Strengthened to Promote Procurement Integrity. 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.
12	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.
13	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.
14	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.
15	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.

16	2021-05-01	1/21/2021	<p>Pension Benefit Guaranty Corporation's Implementation of the Federal Information Security Modernization Act of 2014 for FY 2020.</p> <p>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.</p>
17	2021-05-02	1/21/2021	<p>Pension Benefit Guaranty Corporation's Implementation of the Federal Information Security Modernization Act of 2014 for FY 2020.</p> <p>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.</p>
18	2021-05-07	1/21/2021	<p>Pension Benefit Guaranty Corporation's Implementation of the Federal Information Security Modernization Act of 2014 for FY 2020.</p> <p>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.</p>
19	2021-05-08	1/21/2021	<p>Pension Benefit Guaranty Corporation's Implementation of the Federal Information Security Modernization Act of 2014 for FY 2020.</p> <p>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.</p>
20	2021-06-01	2/1/2021	<p>Fiscal Year 2020 Financial Statement Audit Management Letter Report.</p> <p>Conduct an experience study over the spouse age difference for seriatim and phase out liability for unlocatable missing participant assumptions.</p>
21	2021-06-02	2/1/2021	<p>Fiscal Year 2020 Financial Statement Audit Management Letter Report.</p> <p>Document rationale for and/or update the seriatim marital status and smoothing adjustment for lump sum benefit projections assumptions.</p>
22	2021-06-04	2/1/2021	<p>Fiscal Year 2020 Financial Statement Audit Management Letter Report.</p> <p>PBGC should conduct the appropriate analyses/research/studies to ensure the reasonableness of</p>

			percentages and thresholds used for promotion and document the rationale behind these analyses.
23	2021-06-05	2/1/2021	Fiscal Year 2020 Financial Statement Audit Management Letter Report. 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.
24	2021-09-01	6/4/2021	PBGC Needs to Strengthen Acquisition Planning for Actuarial Support Services. Develop and implement a tracking process for existing contracts to determine when to initiate acquisition planning, based on factors such as complexity, major changes to existing contracts, new requirements, RFIs, and new contracts for acquisition planning support.
25	2021-09-02	6/4/2021	PBGC Needs to Strengthen Acquisition Planning for Actuarial Support Services. Develop and implement a mediation or escalation process to resolve disagreements during the acquisition planning process.
26	2021-09-05	6/4/2021	PBGC Needs to Strengthen Acquisition Planning for Actuarial Support Services. Develop guidance for reviewing and revising QASPs proposed by offerors.
27	2022-01-01	10/14/2021	PBGC's Compliance with the DATA Act. Develop and implement procedures, in coordination with the Office of the Chief Financial Officer, to ensure that all financial assistance awards, modifications, or corrections are submitted to the DATA Act Broker timely.
28	2022-02-01	11/15/2021	Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2021 and 2020 Financial Statements. Develop specific policies to reevaluate policies, procedures, and controls when significant changes to programs occur.
29	2022-02-02	11/15/2021	Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2021 and 2020 Financial Statements. Annually re-evaluate allocation methodologies considering any current year developments which impacts the execution of PBGC operations.
30	2022-04-01	01/07/2022	PBGC Can Improve the Effectiveness of the Missing Participants Program. Establish objective, quantifiable, and measurable performance goals for the program as required by OMB Circular No. A-11, Part 6, and develop performance measures to track progress in achieving them.
31	2022-04-02	01/07/2022	PBGC Can Improve the Effectiveness of the Missing Participants Program. Assess adequacy of the resources and/or work prioritization for successful implementation of the program.

32	2022-04-03	01/07/2022	<p>PBGC Can Improve the Effectiveness of the Missing Participants Program.</p> <p>Improve data management practices to ensure data reliability for tracking and reporting on the MP status including search activity efforts.</p>
33	2022-04-04	01/07/2022	<p>PBGC Can Improve the Effectiveness of the Missing Participants Program.</p> <p>Update the MPP procedures in accordance with current business practices, including overseas missing participants/beneficiaries.</p>
34	2022-04-05	01/07/2022	<p>PBGC Can Improve the Effectiveness of the Missing Participants Program.</p> <p>Periodically review policies, procedures for continued relevance and effectiveness in achieving the MPP mission.</p>
35	2022-06-01	01/14/2022	<p>Fiscal Year 2021 Financial Statement Audit Management Letter Report.</p> <p>PBGC should implement procedures to periodically analyze the participant/beneficiary data to identify significant and unusual or abnormal changes. From this type of activity, PBGC should investigate participants to validate the reasonableness for the change and the adequacy of the data used for benefit calculation and liability determination and make corrections to the participant data as necessary.</p>
36	2022-06-02	01/14/2022	<p>Fiscal Year 2021 Financial Statement Audit Management Letter Report.</p> <p>Conduct in depth follow-up experience study mentioned within the RCF 2021-02-01 rationale memorandum over expected retirement age vs actual retirement age and implement changes/updates to the assumption based on study results.</p>
37	2022-06-03	01/14/2022	<p>Fiscal Year 2021 Financial Statement Audit Management Letter Report.</p> <p>Implement procedures to formally retain review documentation over internal controls that evidences how the review steps were performed and how conclusions (especially judgmental decisions) were drawn. Examples would be tick marks, text boxes, comments, recalculations, reconciliations, supporting files researched, etc.</p>
38	2022-06-04	01/14/2022	<p>Fiscal Year 2021 Financial Statement Audit Management Letter Report.</p> <p>PBGC currently documents review evidence through the use of checklists, email support, and signatures; however, the details around how the review steps are executed (ex: reconciling two numbers from certain documents) is often not formally documented as part of the control performance. We recommend PBGC develop more detailed checklists that outline how steps are completed and not just what needs to be completed.</p>

39	2022-07-01	02/03/2022	<p>Pension Benefit Guaranty Corporation's Implementation of the Federal Information Security Modernization Act of 2014 for FY 2021.</p> <p>PBGC should create organization-wide profiles surrounding establishment of passwords and password protection to ensure constant implementation of new technology and standards.</p>
40	2022-07-02	02/03/2022	<p>Pension Benefit Guaranty Corporation's Implementation of the Federal Information Security Modernization Act of 2014 for FY 2021.</p> <p>PBGC should complete mitigations against password guessing attacks.</p>
41	2022-07-03	02/03/2022	<p>Pension Benefit Guaranty Corporation's Implementation of the Federal Information Security Modernization Act of 2014 for FY 2021.</p> <p>PBGC should schedule periodic password resets to prevent previously obtained or compromised credentials from being re-used on PBGC domains.</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.

Telephone:
The Inspector General's HOTLINE
1-800-303-9737

TTY/TDD:
For hearing/speech impaired services,
dial FRS (800) 877-8339
and give the Hotline number to the relay operator.

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



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