

Office of Inspector General  
Pension Benefit Guaranty Corporation




# Semiannual Report to Congress

*For the Period April 1, 2023 to September 30, 2023*


SARC #69







# Our Value Framework

 **OUR VISION**

Providing deep knowledge and sensible solutions through independent, positive engagement.

 **OUR CORE VALUES**

<b>Respect</b> 	<b>Integrity</b> 
<b>Excellence</b> 	<b>Objectivity and Independence</b> 

**INDEPENDENT, POSITIVE ENGAGEMENT**

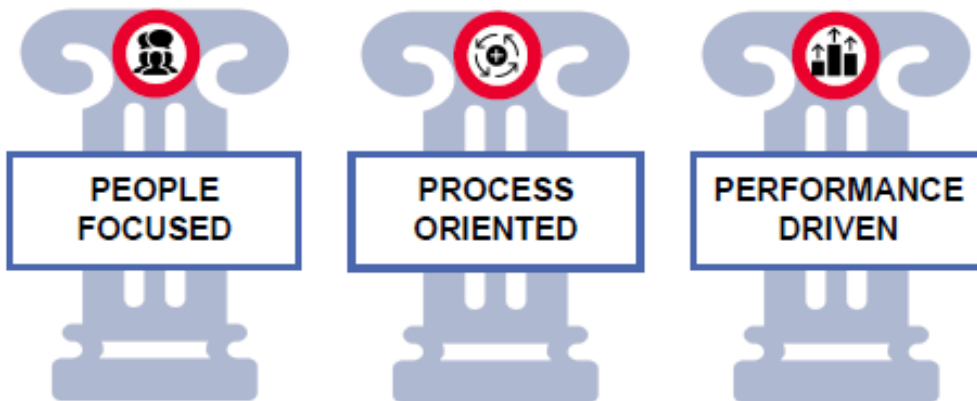
This is the OIG brand value proposition.

Our work must be **independent** and objective.

At the same time, corrective action based on our work is less likely to happen if we are not engaged *with* management.

We optimize our value through **positive engagement** and creating win-wins whenever possible.

## Pillars





# 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 of April 1, 2023, through September 30, 2023. Through these and other activities, the Office of Inspector General (OIG) continues to promote economy, efficiency, effectiveness, and ethical conduct in Corporation programs and operations. The OIG staff remains dedicated to achieving these goals by collegially working with the many equally committed employees of the Corporation.

The continued growth of the single-employer and multiemployer insurance programs, combined with the added responsibility of administering and overseeing the enormous Special Financial Assistance (SFA) program (as of September 30, 2023, the Corporation has approved \$53.5 billion in SFA) raises more challenges for the Corporation and OIG.<sup>1</sup> To meet these challenges, the Corporation has invested in staff, established new processes, expanded contracting capability, and leveraged technology. The OIG has done the same, with a focus on acquiring expertise to effectively oversee the Corporation's new SFA duties.

Soon after the American Rescue Plan's 2021 enactment, I was fortunate to be able to onboard Deputy Inspector General Brooke Holmes, who was serving as Associate Director for Oversight and Accountability at the Pandemic Response Accountability Committee (PRAC), an entity that Congress created in 2020 to oversee pandemic relief spending and coordinate oversight among Inspectors General. We also added an on-staff actuary, a Fellow of the Society of Actuaries. He brings vast knowledge of and experience with employee benefit plans, having worked as a consultant to the federal government and the private sector. Among his many duties, the actuary works with PRAC experts to create and update a risk model that allows OIG to screen SFA applications for anomalies that warrant further OIG review. More recently, OIG was joined by an Audit Manager with experience at Ernst and Young, as well as years of work at the Department of the Interior Office of Inspector General; a formerly retired

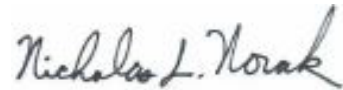
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<sup>1</sup> <https://www.pbgc.gov/news/press/releases/pr23-046>.

Criminal Investigator who led investigations at a number of other Offices of Inspector General; and an Auditor who spent 12 years leading audits at the Government Accountability Office.

OIG's achievements discussed in this Semiannual Report are made possible by the dedication, professionalism, and competence of OIG's diverse workforce. I greatly appreciate the support of Congress, the PBGC Board of Directors, and the Director in our efforts to independently and vigorously oversee the functions of the Corporation.

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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# 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

<b>Acronym</b>	<b>Meaning</b>
ARP	American Rescue Plan Act
BCV	Benefits Calculation and Valuation
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CISA	Cybersecurity and Infrastructure Security Agency
CLMS	Case/Legal Management System
COR	Contracting Officer's Representative
DEIA	Diversity, Equity, Inclusion, and Accessibility
Deloitte	Deloitte & Touche LLP
DMF	Death Master File
ERISA	Employee Retirement Income Security Act of 1974
FAR	Federal Acquisition Regulations
FISMA	Federal Information Security Modernization Act
FPBU	Funds Put to Better Use
FY	Fiscal Year
GAO	Government Accountability Office
I&E	Inspections and Evaluations
IG Act	Inspector General Act of 1978
IP	Internet Protocol
IT	Information Technology
NARA	National Archives Record Administration
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
OPM	Office of Personnel Management
PBGC	Pension Benefit Guaranty Corporation
PD	Procurement Department
PII	Personally Identifiable Information
PIIA	Payment Integrity Information Act of 2019
SFA	Special Financial Assistance
SE PIMS	Single Employer Pension Insurance Modeling System

<b>Acronym</b>	<b>Meaning</b>
SSA	Social Security Administration
T-PIMS	Transformational Pension Insurance Modeling System
ZTA	Zero Trust Architecture
VPN	Virtual Private Network

# Executive Summary

During the period April 1, 2023, through September 30, 2023, we:

- Closed 15 recommendations and issued 4 new recommendations. The total number of open audit recommendations is 34. (P. 22)
- Issued the following reports:

## **Audit of PBGC's Review of Initial Special Financial Assistance (SFA)**

**Applications.** PBGC had many procedures in place to review SFA applications, but there were areas where PBGC could strengthen documentation and internal controls. (P. 22)

**Evaluation of PBGC's Fiscal Year (FY) 2022 Compliance with the Payment Integrity Information Act of 2019.** PBGC complied with the applicable Payment Integrity Information Act of 2019 (PIIA) requirements outlined in *M-21-19, Transmittal of Appendix C to Office of Management and Budget (OMB) Circular A-123, Requirements for Payment Integrity Improvement, dated March 5, 2021*. (P. 23)

**White Paper: Searching Plan Records for Deceased Participants.** PBGC is one of ten federal benefit paying agencies granted access to the Social Security Administration's Full Death Master File (DMF), which is the largest, most accurate single repository of deceased records in the United States. Consequently, PBGC has access to a trustworthy tool to assist preventing overpayments in its programs. (P. 23)

**PBGC FY 2023 Security Assessment Report.** This report presents the technical results from our contracted independent public accountant, Ernst and Young LLC, who assessed the PBGC network for weaknesses that may allow employees or outsiders to cause harm to or otherwise impact PBGC's business processes and information. (P. 23)

- Continued to focus investigative resources on:

**Deceased Participants Program.** We continued our efforts under our fraud detection/computer matching initiative to identify deceased participants in the single-employer and multiemployer programs. (P. 28)

**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. 28)

# Background

## Pension Benefit Guaranty Corporation

The Employee Retirement Income Security Act of 1974 (ERISA) established the Pension Benefit Guaranty Corporation (PBGC or the Corporation) within the 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 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 2022, PBGC paid over \$7.0 billion in retirement benefits to more than 960,000 participants in 5,100 single-employer plans. It also paid \$226 million in financial assistance to 115 multiemployer plans. Between the two programs, it managed approximately \$128 billion in total assets.<sup>2</sup>

The American Rescue Plan Act of 2021 (ARP) established the SFA program to address the solvency of the Multiemployer Program, which was projected to become insolvent in 2026. The SFA program is expected to provide an estimated \$79.7 billion in assistance to 211 financially troubled multiemployer pension plans.<sup>3</sup>

For the first time in its 49-year history, PBGC received taxpayer funds — in the form of SFA — to support financially troubled multiemployer defined benefit pension plans. On July 8, 2022, PBGC published a final rule implementing changes to the SFA program. The final rule became effective August 8, 2022 and made changes to certain provisions of PBGC's interim final rule published in July 2021, including allowing plans to invest a portion of their SFA assets in return-seeking assets, modifying the calculation method to allow two interest rates for a plan's SFA and non-SFA assets, and providing a different methodology for the calculation of SFA for plans that implemented benefit suspensions under the Multiemployer Pension Reform Act of 2014. As of September 30, 2023, PBGC has received SFA applications from 90 multiemployer plans.

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<sup>2</sup> Unless otherwise cited, the figures contained in this section are based on PBGC's 2022 Annual Report.

<sup>3</sup> The total SFA program decreased by \$3.3 billion from the amount reported in the last Semi-Annual report. PBGC continues to revise its estimate of the cost of the SFA program as applications are received and payments are approved. (PBGC FY 2022 Projections Report, August 2023)

PBGC has approved 65 of these applications for a total of \$53.5 billion (this amount includes interest payments); 25 applications are under review with a total requested SFA amount of \$8.5 billion, and one application was denied by PBGC due to ineligibility.<sup>4</sup> In addition, there were 35 supplemented applications submitted under the final rule (by plans that previously received SFA payments under the interim final rule). PBGC has approved all of the supplemented applications for a total of \$1.8 billion including interest payments.

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. At the end of FY 2022, PBGC's net position in the Single-Employer Program was approximately \$37 billion and its net position in the Multiemployer Program was approximately \$1.1 billion. For FY 2022, PBGC's estimate of the reasonably possible exposure to loss in the Single-Employer Program improved to \$52 billion. PBGC's estimate of its Multiemployer Program's reasonably possible exposure increased to \$2.2 billion in FY 2022. The primary reason for the increase in exposure was an increase in the number of plans classified as *reasonably possible* due to plan asset losses. Another driver of the increase was the increase in the number of small plans projected to become insolvent within 20 years primarily due to plan asset losses.

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 controls, 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 OIG 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 America's 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

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<sup>4</sup> A revised application for the denied plan has been submitted and is included in the number of applications under review.

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 the *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’s Quality Standards for Inspection and Evaluation*, and investigations are conducted in compliance with the *CIGIE’s 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 routine 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’s Enterprise Risk Management Working Group and the Inspectors General Legislation Committee. Our Chief Counsel represents our office on the Chief Counsels of Inspectors General Employment Law Working Group. Our Assistant Inspector General for Management represents our office on the CIGIE’s Data Analytics Working Group. In addition, three of our auditors are part of the CIGIE’s 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, and accessibility (DEIA) within the community and throughout our office. Two auditors serve on the CIGIE’s DEIA committee.

# Management Challenges

## Information Technology (IT) Security and Management

This challenge refers to (1) the protection of Federal Information Technology (IT) systems from intrusion or compromise by external or internal entities and (2) the planning and acquisition for replacing or upgrading IT infrastructure. This is a long-standing and serious challenge across the federal government because agencies depend on reliable and secure IT systems to perform their mission-critical functions. Key areas of concern are safeguarding sensitive data and information systems, networks, and assets against cyber-attacks and insider threats; modernizing and managing federal IT systems; ensuring continuity of operations; and recruiting and retaining a highly skilled cybersecurity workforce. The security and management of government IT systems remains challenging due to significant impediments, including resource constraints and a shortage of cybersecurity professionals.

Protecting retiree income by paying benefits on time and accurately is a statutory requirement and one of the fundamental reasons PBGC exists. In FY 2022, the Corporation paid over \$7 billion in benefits to more than 960,000 participants in single-employer plans and \$226 million in financial assistance to 115 multiemployer plans, covering the benefits of 93,525 participants. In addition, in FY 2023, PBGC paid over \$50 billion to multiemployer plans through the Special Financial Assistance program. PBGC relies on information systems and electronic data to carry out operations and process, maintain, and report essential information.

### IT Security

On December 6, 2021, the Office of Management and Budget (OMB) stated that “[t]he United States Government continues to face increasingly sophisticated efforts to compromise Federal IT systems, challenging current defenses and creating an urgent need to evolve to a new security paradigm.” In Fiscal Year 2022, OMB reported that federal agencies suffered 30,659 cybersecurity incidents. Three were reported as major incidents.



On November 4, 2021, the Cybersecurity & Infrastructure Security Agency (CISA) issued a Directive stating that the United States faces persistent and increasingly sophisticated malicious cyber campaigns that threaten the American people’s security and privacy. The CISA Directive stated that the federal government must improve its efforts to protect against these campaigns as these vulnerabilities pose a significant risk to agencies and the federal enterprise.



PBGC IT systems support day-to-day operations of the Corporation and are critical to the Corporation's mission. 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. Additionally, GAO 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. For PBGC, a cyber incident could severely limit its capabilities to meet mission requirements, particularly during a crisis. In addition, cyber incidents could compromise sensitive business information and PII.

For FY 2023, PBGC's information security program was found to be *Effective*, its Detect function was assessed at *Optimized* and the remaining four Cybersecurity Framework functions were found to be *Managed and Measurable*. OIGs are required to assess the effectiveness of information security programs on a maturity model spectrum, in which the foundational levels ensure that agencies develop sound policies and procedures, and at the advanced levels capture the extent that agencies institutionalize those policies and procedures. The five maturity model levels are ad hoc (level 1), defined (level 2), consistently implemented (level 3), managed and measurable (level 4), and optimized (level 5). Our independent auditor assessed the maturity of PBGC's information security program using the FY 2023 IG Federal Information Security Modernization Act (FISMA) metrics under OIG oversight. Based on a sample of eight systems in FY 2023, our independent auditor found improvements in *Risk Management*, *Identity and Access Management*, and *Data Protection and Privacy* core metrics. The independent auditor identified weaknesses in the *Configuration Management* domain; however, this domain and PBGC's overall information security program remained *Effective*. As of September 2023, PBGC has reduced the number of recommendations by over 90 percent, from 80 to 7 with 6 additional closure packages under review.

## Zero Trust Architecture

OMB Memorandum M-22-05 identified *Moving to a Zero Trust Architecture* as a key tenet to guide continued reforms under FISMA. Further, OMB Memorandum M-22-09, *Moving the U.S. Government Toward Zero Trust Cybersecurity Principles* (dated January 26, 2022) defined the Zero Trust Architecture (ZTA) Model as an environment in which "no actor, system, network, or service operating outside or within the security perimeter is trusted." M-22-09 defines five security objectives to support CISA's ZTA Model:

- *Identity*: Federal staff have enterprise-managed accounts, allowing them to access applications while remaining reliably protected from targeted, sophisticated phishing attacks.

- *Devices:* The devices of federal staff are consistently tracked and monitored, and the security posture of these devices is taken into account when granting access.
- *Networks:* Agency systems are isolated from each other, and the network traffic flowing between and within them is reliably encrypted.
- *Applications and Workloads:* Enterprise applications are tested internally and externally, and can be made available to staff securely over the internet.
- *Data:* Federal security teams and data teams work together to develop data categories and security rules to automatically detect and ultimately block unauthorized access to sensitive information.

M-22-09 requires agencies to achieve these objectives by the end of FY 2024. The core metrics evaluated during the FISMA audit represent a combination of the Administration's priorities including *Moving the U.S. Government Towards Zero Trust Cybersecurity Principles (M-22-09)*. Additionally, the Office of Information Technology (OIT) noted representatives from OMB and PBGC's executive leadership have been briefed on progress on implementing ZTA.

## **Modernization of PBGC's Key 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 needs to prioritize program office modernization projects to ensure they are strategically aligned, transparent, synchronized, and driven by performance-based data.



### **Benefit Calculation and Valuation (BCV)**

The BCV solution is used by PBGC's actuaries to determine participant benefits and calculate corporate liabilities for plans that PBGC will trustee. The BCV modernization will be completed in five phases with completion in FY 2026.

The 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. 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.

PBGC posts on its website the status of IT modernization projects and, as of February 2023, there are five ongoing modernization efforts detailed. In addition, planning for other efforts is ongoing. PBGC does have some remaining critical systems, like the *Image Processing System* and *Spectrum*, that are in need of modernization and planning is set for future years. These legacy systems will remain in the near term and do pose increased risk to exposure or obsolescence to the Corporation.

**Acquisition Management System:** PBGC currently uses a combination of different commercial off-the-shelf products and Microsoft Office 365 tools for performing procurement activities. After months of analysis and market research PBGC has embarked on implementing a single integrated Software-as-a-Service solution (Technology), starting with a complete Business Process Engineering (Process), and improving the way Acquisition Professionals (People) perform procurement functions. This seamless end-to-end procurement solution targets to modernize the procurement functions, strengthen management and internal controls with transparency, improve procurement and data integrity, and maintain continuous updates to technology and cybersecurity. This modernization effort is estimated to cost about \$11 million and be completed in FY 2025.



PBGC infrastructure and application modernization efforts continued to serve internal and external stakeholders. PBGC supported maximum telework with business units, such as the Office of Benefits Administration, continuing to exceed their production goals. The Corporation also launched a major new SFA program during the COVID-19 pandemic, and opened its new headquarters in March 2023. With the opening of the new headquarters, PBGC transitioned into a hybrid environment supporting workers in a remote environment and within the new headquarters facility.

PBGC reported several modernization projects affecting key benefits and premium-related IT systems being on schedule. These include Benefit Calculation and Valuation (BCV), the Acquisition Management System, the Transformational Pension Insurance Modeling System for the Single-Employer Program, transition to Internet Protocol Version 6, and the Office of Negotiations and Restructuring-Office of General Counsel Case Management Modernization. These efforts alone affect 5 of PBGC's 6 lines of business and have estimated costs of about \$37 million (for the current phase of efforts).

**Case/Legal Management System.** This project implements a Case/Legal Management System (CLMS) to modernize and replace the Risk and Early Warning Management and Legal Edge for Windows systems. This project continues PBGC's migration of mission critical applications to the Microsoft Azure Cloud and Microsoft Dynamics environments, replacing highly customized legacy systems with configurable solutions. This will improve PBGC's operational efficiency through better data capture management and use. The current systems are used within the Office of Negotiations and Restructuring (ONR) and the Office of General Counsel (OGC) to manage cases/legal matters and to provide document management and workflow functionality. They have reached end-of-service-life, are heavily customized and requires significant effort to maintain. To address these challenges, the project will migrate the existing capabilities to a new, modernized solution that will be based in the Microsoft Azure Cloud environment, maximize functionality, and utilize Microsoft Dynamics for core business functionality. This modernization was anticipated to cost about \$8 million and be completed in FY 2023; however, PBGC is currently reexamining the cost and schedule impact of the expanded scope.

PBGC officials explained that the agile process allows new technology to be delivered early in the project, which often results in an increase in scope as users re-envisioned their future process, technology use, user adoption, and end-to-end system during implementation. PBGC increased the scope of this project with functionality such as modernizing the public-facing eFiling Portal (with Login.gov), SFA requirements, new reports/functionality, data flow from new CLMS to old legacy CMS to preserve Office of Benefits Administration's (OBA) operations, and historical document migration, etc.

**Transformational Pension Insurance Modeling System.** PBGC is implementing a new Transformational Pension Insurance Modeling System (T-PIMS) for the Single-Employer Program to replace a 20+ year old legacy on-premises system. T-PIMS will use the latest cloud technology that improves modeling performance, scalability, stability, ease of maintenance, strengthen PBGC's security posture, and streamline maintenance and operations, while increasing the flexibility to respond to legislative/regulatory demands and throughput of economic forecasts and financial projections. The foundations of this project will enable additional enhancements to address multiemployer models in the future. This modernization effort is estimated to cost \$10 million and be completed in FY 2024. The OIG has an ongoing engagement related to this modernization effort.

To mitigate some of the risks of modernization projects, PBGC reported using agile development methodologies and holding monthly or sprint-based executive briefings. PBGC plans to continue to use instruments such as Letters of Concern, Corrective Action Plans, and Contractor Performance Assessment Reporting System ratings, as a part of its overall risk management process. 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 and OGC Case Management Modernization, Customer Relationship Management modernization effort, My Plan Administration Account update, 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.” We continue to identify PBGC’s critical legacy system 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, including reviewing SFA applications, providing IT support, developing and assessing internal controls, and calculating and paying pension benefits. The current PBGC workforce consists of just under 1,000 federal employees, who are supported by approximately 1,500 contractor employees. For example, the Office of Benefits Administration (OBA) has approximately 260 federal employees supported by approximately 750 contractor employees whose responsibilities include calculating pension benefits and day-to-day benefits administration. In addition, OIT has approximately 120 federal employees and 430 contract staff to operate, maintain, and secure PBGC's network, systems, and services. This staffing model has raised concerns in the past regarding inherent governmental functions and the technical ability of a sufficient number of federal employees to effectively oversee contract deliverables.

PBGC relies on contractor staff for critical areas, including the SFA program. For example, ONR has over 70 contractors to support their review of SFA applications. Contractors are also an important part of the PBGC workload influx plan in the event of a dramatic increase in plan failures because benefit calculations rely on contractors performing critical plan asset evaluations, participant data reviews, actuarial valuations services, and data collection.

Our office has raised concerns on numerous occasions about various acquisition issues related to professional services contracts, including insufficient oversight during the period of performance, acquisition planning delays, internal control weaknesses that allowed contract steering, and lack of follow-up on findings from contract close-out reports.

Most recently, OIG investigations found that two Deloitte & Touche LLP (Deloitte) contractors made false claims regarding time spent working on PBGC contracts, leading PBGC to pay for hours not worked. One investigation revealed that a Deloitte employee had been operating a private business and was also working full-time at two different government contracting firms for months, all while simultaneously claiming she was working full-time on official PBGC business via her employment with Deloitte. The other Deloitte employee committed information security violations in addition to billing for hours not worked. These instances show the need for diligent oversight of work performed under labor-hours and time-and-materials contracts. For more information, see the Investigative Activities section of this report.

Audits and evaluations have also found acquisition issues. Our November 2022 evaluation of a hotline complaint identified a concern related to PBGC's oversight of labor-hour contracts. We found a Contracting Officer's Representative approved invoices without verifying supporting documentation for two task orders for plan asset evaluation services. As a result, the labor

hours charged to the two task orders and paid by PBGC may not be accurate. In addition, our June 2021 evaluation found that PBGC's acquisition planning for actuarial support services related to benefit calculations did not timely and effectively meet its needs. Delays in acquisition planning led PBGC to extend the previous contracts and award follow-on contracts on a sole-source basis.

After a former PBGC Procurement Department (PD) Director pled guilty to conspiracy to bribe a public official in May 2020, we initiated an audit to determine how procurement practices allowed awards to be steered, and if there were indications of steering in a sample of awards. In December 2020, we issued a report that 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 addition, in September 2020, we reported that PBGC's use of cost-reimbursable and labor-hour type contracts increases its risk related to cost control and labor efficiency and increases the administrative burden of monitoring contractor performance. Consistent with long-standing federal policy, the agency should strive to use fixed-price or fixed-price incentive contracts to the maximum extent possible. We found PD did not administer the Cost-Plus-Award Fee contract for IT infrastructure operations and maintenance services in a manner consistent with the Federal Acquisition Regulations (FAR) because PBGC did not adequately address the FAR suitability requirements when determining the appropriate contract vehicle.

Finally, our March 2020 evaluation of a service contract to assist PD with a backlog of contract close-outs disclosed that PD did not perform adequate monitoring during the period of performance and did not follow up on findings from the contract close-out reports.

To its credit, PBGC implemented 21 of the 24 recommendations from these engagements since their issuance. Sufficient and effective oversight is a shared responsibility, and this remains a top management challenge.



# Audits, Evaluations, and Reviews

## Summary of Performance

Category	Number
Open Recommendations Beginning of Period	45
Opened this Period	4
Closed this Period	15
Open Recommendations End of Period	34
Reports with Open Recommendations End of Period	11

## Performance Audits, Evaluations and Special Reports

### Audit of PBGC's Review of Initial Special Financial Assistance Applications

AUD-2023-11, issued June 30, 2023

We assessed whether PBGC adequately reviewed applications for Special Financial Assistance prior to approving them. For the three SFA applications we reviewed, we found that PBGC had many procedures in place to review the applications, including eligibility checks, completeness checks, actuarial and business assumption reviews, actuarial calculation reviews, legal reviews of plan amendments, and reviews by upper management. Upon examining application files in PBGC's TeamConnect system, we verified all three plans in our sample submitted documentation required by PBGC. We also verified PBGC performed its eligibility checks, completeness checks, and legal reviews of plan amendments, and documented these steps in the concurrence packages. Finally, we confirmed that each of the three plans was eligible for SFA. However, we found the following areas for PBGC to improve in its review of SFA applications. First, PBGC should better document its analysis of potential application issues and management concurrence regarding the resolution of those issues to better ensure management oversight. Second, to improve PBGC's ability to detect discrepancies in plan calculations for suspended benefits and a plan's reported Contribution Base Unit history, the Corporation should develop and implement additional controls to assess plan calculations for previously suspended benefits and a plan's reported Contribution Base Unit history. PBGC agreed with the three recommendations and planned completion of all by December 31, 2023.

## **Evaluation of PBGC's Fiscal Year 2022 Compliance with the Payment Integrity Information Act of 2019**

EVAL-2023-09, issued May 18, 2023

We determined that PBGC complied with the applicable PIIA requirements outlined in *M-21-19, Transmittal of Appendix C to Office of Management and Budget OMB Circular A-123, Requirements for Payment Integrity Improvement*, dated March 5, 2021. However, PBGC did not include a hyperlink to [PaymentAccuracy.gov](https://www.paymentaccuracy.gov) in the Annual Financial Report for access to the accompanying materials which is required. So, we made one related recommendation to which PBGC agreed and has planned corrective actions to be completed by mid-December 2023.

## **White Paper: Searching Plan Records for Deceased Participants**

SR-2023-10, issued June 12, 2023

This White Paper follows up on previous deceased participant work within the OIG.<sup>5</sup> It focuses on the Social Security Administration's Full Death Master File (DMF) and the advantage it gives in identifying questionable participant records before overpayments occur. It also considers what a pension plan does to resolve deaths in its plan census and why a pension plan might weigh the treatment of retiree records differently than other participant records. It concludes with why a plan might have an otherwise acceptable process, that nonetheless may not be a reliable practice for PBGC to assume a plan has purged deceased participants from a plan census.

## **PBGC FY 2023 Security Assessment Report**

SR-2023-12, issued September 27, 2023

During the financial statement audit, OIG's contracted independent public accountant, Ernst and Young LLC, assessed PBGC's network for technical weaknesses that may allow employees or outsiders to cause harm or otherwise impact PBGC's business processes and information. This report included no formal recommendations as they are consolidated and presented in the FY 2023 FISMA report. OIG determined this report is for official use only and the portion detailing the security assessment was redacted in its entirety because it contained privileged and confidential information.

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<sup>5</sup> [White Paper: Detecting Fraud and Improper Payments Involving Deceased Participants](#), issued March 9, 2018.

## **On-Going Evaluations and Related Work**

### **Evaluation of PBGC's Oversight of Single-Employer Pension Insurance Modeling System (SE PIMS) Modernization and Development Contracts**

Project EV-23-171, announced on January 12, 2023

We initiated this engagement to determine if PBGC's oversight of the modernization and development contracts for SE PIMS was in conformance with federal and PBGC regulations.

### **Limited Scope Evaluation of Projected Benefit Payments in Selected SFA Applications**

Project EV-23-172, announced on February 8, 2023

We initiated an engagement on PBGC's SFA program to determine if projected benefit payments are consistently identified, evaluated against appropriate criteria, and documented.

### **Audit of the Pension Benefit Guaranty Corporation's Financial Statements for FY 2023 and Related Work**

Project FA-23-174, announced on March 6, 2023

OIG has contracted with Ernst and Young, LLP to conduct, subject to OIG oversight, the financial statements audit. The financial statement audit report will be issued on November 15, 2023. The purpose of this audit is to determine whether PBGC's financial statements present fairly, in all material respects, the financial position of the Single-Employer and Multiemployer Program Funds administered by PBGC at September 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America; whether PBGC maintained, in all material respects, effective internal control over financial reporting at September 30, 2023, based on the Federal Managers Financial Integrity Act of 1982 criteria; and to provide other relevant conclusions based on the work performed. The audit scope includes:

- General-purpose financial statements of the Single-Employer Program and Multiemployer Program;
- Internal controls over financial reporting;
- Compliance with laws and regulations relevant to the financial statements audit;
- Limited-purpose financial statements for the government-wide consolidated financial statements, including related notes;
- Compliance with the FISMA; and
- IT Vulnerability Assessment and Penetration Testing.

## **Evaluation of PBGC's Contract Type Justifications**

Project EV-23-175, announced on July 10, 2023

We initiated an engagement to determine if PBGC complied with federal acquisition requirements to justify contract types when awarding other than firm-fixed price contracts.

# Investigative Activities

## Summary of Performance

Criminal Action	Federal	State or Local
Indictments	0	0
Informations	0	0
Convictions	0	0
Sentencings	1	0

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

### **Manchester, New Hampshire Woman Charged with Theft of Public Funds and Identity Theft, Ordered to Diversion Program**

On December 1, 2022, a 56-year-old Manchester, New Hampshire woman was charged, via criminal complaint, in the State of Connecticut, Superior Court with Identity Theft, Larceny of Public Funds, and Forgery. An extraditable arrest warrant was issued in conjunction with the complaint, and the defendant was arrested on January 1, 2023 by the Manchester Police Department.

The defendant was a family friend of a PBGC participant who passed away in August 2015. After the participant's death, the defendant allegedly impersonated the participant in an effort to conceal the death from PBGC. The defendant created an email in the participant's name, opened a bank account with the participant's personal information, and forged PBGC official documents. From September 2015 through June 2021, the defendant took possession of approximately \$10,000 in errant PBGC benefits by impersonating the deceased participant. On September 13, 2023, the defendant was accepted into a State Diversion program with the Connecticut State Court, in lieu of a guilty plea. As part of the conditions of the program, the defendant was ordered to repay \$10,109.71 in restitution to PBGC.

This investigation was conducted by PBGC OIG and the Torrington, Connecticut Police Department, with the assistance of Social Security Administration, Office of Inspector General. The investigation was based on an Office of Benefits Administration referral to the PBGC OIG.

### **Apex, North Carolina Woman Sentenced for Conversion of Government Funds**

On November 2, 2022, a 67-year-old Apex, North Carolina woman pleaded guilty to Theft of Government Funds in the U.S. District Court for the Eastern District of North Carolina. The defendant collected her father's Office of Personal Management (OPM) and PBGC pension

benefits after he passed away in December 2005. Neither PBGC nor OPM received notice that her father was deceased; therefore, PBGC continued to pay benefits until 2017 and OPM benefits were paid until 2020. In total, the defendant collected and spent approximately \$339,000 in U.S. government benefits she was not entitled to receive. A portion of this money was spent on cruise vacations and a life insurance policy for the defendant. On April 10, 2023, the defendant was sentenced to 3 years' probation, and ordered to pay a \$100 Special Assessment, and \$330,283.02 in restitution to the U.S. government. This case was jointly investigated with the OPM Office of Inspector General.

### **False Claims and Fraud in Connection with a Government Computer**

In December 2022, the PBGC OIG received an anonymous hotline complaint stated that, a Deloitte contractor working with PBGC was employed full-time by both Deloitte and another federal contractor. The complainant stated that this contractor managed both jobs by subcontracting PBGC data entry work to friends and family.

The investigation ultimately revealed that the contractor operated a private business and worked full-time at two different government contracting firms from August to October 2022 and January to May 2023, all while simultaneously claiming she worked full-time on official PBGC business via her employment with Deloitte. Her actions resulted in over 500 hours in overbilling.

Throughout the investigation, PBGC OIG worked in conjunction with Deloitte's Office of General Counsel. Deloitte concurrently conducted their own internal investigation into the matter and ultimately separated the employee from the firm due to integrity, policy, and code of conduct violations. During their investigation, Deloitte was not able to reliably determine what portion of the contractor's invoiced time reflected actual hours she worked; therefore, Deloitte agreed to reimburse PBGC the full amount invoiced for the contractor, totaling \$170,888.

This case was presented for prosecution to the U.S. Attorney's Office for the District of Maryland; however, the U.S. Attorney declined to prosecute.

### **Information Security Violations, False Claims, and Falsification**

On July 26, 2023, PBGC OIG received a complaint from the OIT Security Operations that alleged a PBGC contractor, employed with Deloitte, had established a Virtual Private Network (VPN) session to the PBGC network from an Internet Protocol (IP) address that traced back to Cairo, Egypt. Additionally, during the initial OIT Security Operations investigation, all the contractor's VPN logs were reviewed. OIT found potential irregularities with the length of time the contractor was logged into the PBGC network relative to his labor hours invoiced on the PBGC contract.

OIG's investigation revealed that, on at least one occasion, the contractor connected his PBGC laptop to a Wi-Fi that was utilizing a VPN service that redirected his location to make it appear the IP address was coming from Egypt; this was determined to be a violation of PBGC Information Security Rules of Behavior. The OIG also concluded, due to lack of any laptop/network activity, that the Deloitte contractor billed for hours not worked during November 20, 2022 to January 31, 2023. The Deloitte contractor has since been separated from the company due to the violations identified.

### **Deceased Participants Program**

The OIG continues efforts under our fraud detection/computer matching initiative to identify deceased participants in the single-employer and multiemployer programs. The OIG identified improper payment or fraud relating to deceased participants in the programs and referred those cases to PBGC to terminate benefit payments and seek recoupment. As of September 30, 2023, we identified \$266,000 in improper payments or fraud relating to deceased participants for FY 2023.

### **Special Financial Assistance Outreach**

To prepare for investigative activities that may develop from PBGC's SFA program, we held meetings with officials from the Department of Labor's Employee Benefits Security Administration and the Department of Justice. During these meetings, OIG provided information about the 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 employee<sup>6</sup> 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.

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<sup>6</sup> “[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. § 405(a)(6)(A).



## **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. During this reporting period, we did not review or provide comment on any proposed changes to laws or regulatory actions.

## **Trafficking Victims Prevention & Protection Reauthorization Act of 2022**

PBGC OIG had no suspected cases of misconduct, waste, fraud, or abuse relating to trafficking in persons during the reporting period.<sup>7</sup>

## **Peer Reviews**

**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 I&E. This assessment included a review of PBGC OIG's

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<sup>7</sup> Reporting required by [PL 117-348 \(S.3949\)](#).

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>. Presently, we are undergoing an external peer review by the Federal Communication Commission OIG for the three-year period ending September 30, 2023, with a report issuance by March 31, 2024.

**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. In June 2022, a peer review was completed by the OIG for the Board of Governors of the Federal Reserve System and the Bureau of Consumer Financial Protection for the period ending September 30, 2021. The reviewing OIG found the PBGC OIG's system of quality control for the audit organization for the year ended September 30, 2021 “has been suitably designed and complied with to provide the PBGC OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards and applicable legal and regulatory requirements in all material respects.” Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. The PBGC OIG 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/PeerReview2021.pdf>.

**Investigations.** During this period, the Office of Investigations conducted a peer review of the Office of Inspector General for the National Archives and Records Administration (NARA). The review involved an assessment of the system of internal safeguards and management procedures for the investigative operations NARA had in effect for the period ending December 31, 2022. Our review was conducted in conformity with the Quality Standards for Investigations and the Qualitative Assessment Review Guidelines established by the Council of the Inspectors General on Integrity and Efficiency. In performing our review, we also considered the Attorney General’s Guidelines for Office of Inspectors General with Statutory Law Enforcement Authority and Section 6(e) of the Inspector General Act of 1978, as restated (5 U.S.C. § 401-424). The system of internal safeguards and management procedures for the investigative function of the NARA OIG in effect for the year ended December 31, 2022, were in compliance with the quality standards established by the CIGIE and the other applicable guidelines and statutes cited above.

Peer review of our Office of Investigations is scheduled for Summer 2024.

## 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.<sup>8</sup>

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<sup>8</sup> PBGC FY 2023 Security Assessment Report, Report SR-2023-12, issued September 27, 2023.

# APPENDICES

## Cross-Reference to Reporting Requirements of the Inspector General Act

Inspector General Act Reference	Reporting Requirements	Page(s)
Section 4(a)(2)	Review existing and proposed legislation and regulations and make recommendations, including in the semiannual reports required by section 5(a), concerning the impact of the legislation and regulations on the economy and efficiency in the administration of programs and operations administered or financed by the establishment or the prevention and detection of fraud and abuse in the programs and operations.	30
Section 5(a)(1)	Significant problems, abuses, and deficiencies relating to the administration of programs and operations of the establishment and associated reports and recommendations for corrective action.	13-28
Section 5(a)(2)	Each recommendation made before the reporting period, for which corrective action has not been completed, including the potential costs savings associated with the recommendation.	39-44
Section 5(a)(3)	Summary of significant investigations closed during the reporting period.	26-28
Section 5(a)(4)	Total number of convictions resulting from investigation.	36
Section 5(a)(5)	Information regarding each audit, inspection, or evaluation report issued, including-- (A) a listing of each audit, inspection, or evaluation; (B) if applicable, the total dollar value of questioned costs (including a separate category for the dollar value of unsupported costs) and the dollar value of recommendations that funds be put to better use, including whether a management decision had been made by the end of the reporting period.	38
Section 5(a)(6)	Information regarding any management decision made during the reporting period with respect to any audit, inspection, or evaluation issued during a previous reporting period.	22-25
Section 5(a)(7)	Compliance with Federal Financial Management Improvement Act.	30
Section 5(a)(8)	(A) Results of any peer review conducted by another OIG; or (B) if no peer review was conducted within the reporting period, a statement identifying the date of the last peer review conducted by another OIG.	30-31
Section 5(a)(9)	Outstanding recommendations from any peer review conducted by another OIG that have not been fully implemented and why implementation is not complete.	30-31
Section 5(a)(10)	A list of peer reviews performed by the IG on another OIG during the reporting period, including a list of any outstanding recommendations made from any previous peer review that remain outstanding or have not been fully implemented.	30-31

Section 5(a)(11)	Statistical tables showing the following for this reporting period — (A) number of investigative reports issued; (B) number of persons referred to the Department of Justice for criminal prosecution; (C) number of persons referred to State and local prosecuting authorities for criminal prosecution; and (D) number of indictments and criminal informations that resulted from any prior referral to prosecuting authorities.	35-36
Section 5(a)(12)	Description of the metrics used for developing the data for the statistical tables under paragraph (11).	37
Section 5(a)(13)	Report on each investigation where allegations of misconduct were substantiated involving a senior Government employee or senior official, which shall include — (A) the name of the senior Government employee, if already made public by the Office; and (B) a detailed description of — (i) the facts and circumstances of the investigation; and (ii) the status and disposition of the matter, including — (I) if the matter was referred to the Department of Justice, the date of the referral; and (II) if the Department of Justice declined the referral, the date of the declination.	29
Section 5(a)(14)	(A) Any instance of whistleblower retaliation, including information about the official found to have engaged in retaliation; and (B) what, if any, consequences the establishment actually imposed to hold the official accountable.	29
Section 5(a)(15)	Information related to interference by the establishment, including — (A) any attempt by the establishment to interfere with the independence of the Office, Including — (i) with budget constraints designed to limit the capabilities of the Office; and (ii) incidents where the establishment has resisted or objected to oversight activities of the Office or restricted or significantly delayed access to information, including the justification of the establishment for such action; and (B) a summary of each report made to the head of the establishment under section 6(c)(2) during the reporting period.	29
Section 5(a)(16)	The particular circumstances of each — (A) inspection, evaluation, and audit that is closed and was not disclosed to the public; and (B) investigation 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 September 30, 2023

<b>Audits/Inspections/Evaluations Issued</b>	
Number of Reports	2
Number of Recommendations	4
<b>Special Reports Issued</b>	
Number of Reports	2
Number of Recommendations	0
<b>Investigative Reports Issued</b>	
Number of Reports	0
Number of Recommendations	0
<b>Open Recommendations</b>	
Open Recommendations Beginning of Period	45
Opened This Period	4
Closed This Period	15
Open Recommendations End of Period	34
Reports with Open Recommendations End of Period	11

<b>Investigative Workload</b>	
Investigations Opened	28
Investigations Closed	24

<b>Persons Referred for Prosecution</b>	<b>Federal Prosecutions</b>	<b>State or Local Prosecutions</b>
Presented	4	1
Accepted	2	1
Declined	4	0

<b>Criminal Actions</b>	<b>Federal Prosecutions</b>	<b>State or Local Prosecutions</b>
Indictments	0	0
Informations	0	0
Criminal Complaints	0	0
Arrests	0	0
Convictions	0	0
Nolo Contenderes/Proffer	0	0
Sentencings	1	0

<b>Financial Recoveries</b>	<b>Federal Prosecutions</b>	<b>State or Local Prosecutions</b>
Court Ordered Fines, Penalties, and Restitution	\$0	\$10,109.71

<b>Administrative Actions</b>	
Debarments	0
Administrative Recoveries	\$170,888.56

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 September 30, 2023

Report Number, Report Title, and Date Issued	Number of Significant Recommendations	Significant Problems and Deficiencies	Summary of Significant Recommendations
	0	0	

## Results of Reports Issued

For the Six-Month Period Ending September 30, 2023

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.	1	\$6,000,000	\$0	\$0
B. Which were issued during the reporting period.	4	\$0	\$0	\$0
Audit of PBGC's Review of Initial Special Financial Assistance Applications		\$0	\$0	\$0
Evaluation of PBGC's Fiscal Year 2022 Compliance with the Payment Integrity Information Act of 2019		\$0	\$0	\$0
White Paper: Searching Plan Records for Deceased Participants		\$0	\$0	\$0
PBGC FY 2023 Security Assessment Report		\$0	\$0	\$0
Total (Add A. & B.)	5	\$6,000,000	\$0	\$0
C. For which a management decision was made during the reporting period.	1			
(i) dollar value of disallowed costs		\$0	\$0	\$0
(ii) dollar value of costs not disallowed		\$6,000,000	\$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 September 30, 2023

	Recommendation Number	Date Issued	Report Title and Recommendation
1	2021-01-02	12/08/2020	<p><b>Internal Controls Must Be Strengthened to Promote Procurement Integrity.</b> 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>
2	2021-02-10	12/09/2020	<p><b>Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2020 and 2019 Financial Statements.</b> 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.</p>
3	2021-06-01	2/1/2021	<p><b>Fiscal Year 2020 Financial Statement Audit Management Letter Report.</b> Conduct an experience study over the spouse age difference for seriatim and phase out liability for unlocatable missing participant assumptions.</p>
4	2021-06-02	2/1/2021	<p><b>Fiscal Year 2020 Financial Statement Audit Management Letter Report.</b> Document rationale for and/or update the seriatim marital status and smoothing adjustment for lump sum benefit projections assumptions.</p>
5	2022-06-01	01/14/2022	<p><b>Fiscal Year 2021 Financial Statement Audit Management Letter Report.</b> 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>
6	2022-06-02	01/14/2022	<p><b>Fiscal Year 2021 Financial Statement Audit Management Letter Report.</b> Conduct in depth follow-up experience study mentioned within the rationale memorandum over expected retirement age vs actual retirement age and implement changes/updates to the assumption based on study results.</p>

7	2022-06-03	01/14/2022	<p><b>Fiscal Year 2021 Financial Statement Audit Management Letter Report.</b></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>
8	2022-06-04	01/14/2022	<p><b>Fiscal Year 2021 Financial Statement Audit Management Letter Report.</b></p> <p>PBGC currently documents review evidence through the use of checklists, email support, and signatures; however, the details around how the review steps is 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>
9	2023-04-01	11/22/2022	<p><b>Evaluation of Hotline Complaints Regarding a PBGC Contract.</b></p> <p>Establish controls to monitor Contracting Officer Representative (COR) reviews of contractor invoices and supporting documents.</p>
10	2023-04-02	11/22/2022	<p><b>Evaluation of Hotline Complaints regarding a PBGC Contract.</b></p> <p>In coordination with PD, train CORs to properly review supporting documents before they approve or reject contractor invoices.</p>
11	2023-05-01	3/22/2023	<p><b>PBGC Should Exclude Deceased Terminated Vested Participants from Special Financial Assistance Calculations.</b></p> <p>Update the review procedures for insolvent plans who apply for SFA and determine where corroborating information could be used to determine if deceased participants are included in the SFA calculations.</p>
12	2023-05-03	3/22/2023	<p><b>PBGC Should Exclude Deceased Terminated Vested Participants from Special Financial Assistance Calculations.</b></p> <p>Review OMB guidance for Improper Payments and take steps that may be necessary to ensure proper reporting and monitoring of SFA payments, including an off-cycle risk assessment.</p>
13	2023-05-04	3/22/2023	<p><b>PBGC Should Exclude Deceased Terminated Vested Participants from Special Financial Assistance Calculations.</b></p> <p>Update application instructions to include detailed guidance on how deceased participants should be</p>

			handled by plans and supporting information to be submitted.
14	2023-06-01	01/09/2023	<b>Pension Benefit Guaranty Corporation's Implementation of the Federal Information Security Modernization Act of 2014 for FY 2022.</b> Disable less secure security authentication protocols on applicable servers and where not possible, implement mitigating solutions.
15	2023-06-02	01/09/2023	<b>Pension Benefit Guaranty Corporation's Implementation of the Federal Information Security Modernization Act of 2014 for FY 2022.</b> Users with multiple accounts of different privilege levels should be educated about the risks of reusing passwords for privileged accounts. Procedures for issuing privileged accounts should include language requiring the account be configured with a unique password at all times. Additionally, consider auditing privileged account passwords for password reuse on a regular basis.
16	2023-06-03	01/09/2023	<b>Pension Benefit Guaranty Corporation's Implementation of the Federal Information Security Modernization Act of 2014 for FY 2022.</b> Create separate accounts with the least privileges required to perform administrative tasks on hosts that are not domain controllers.
17	2023-06-04	01/09/2023	<b>Pension Benefit Guaranty Corporation's Implementation of the Federal Information Security Modernization Act of 2014 for FY 2022.</b> PBGC should evaluate the privileges associated with accounts configured to run critical services following the least privilege model so that service accounts are assigned the minimum level of privileges needed to perform their individual function. Additionally, PBGC should assign strong passwords to service accounts.
18	2023-07-01	01/13/2023	<b>Fiscal Year 2022 Financial Statement Audit Management Letter.</b> Management should ensure for the monthly reconciliation of benefit payments to benefit payment expense that the date range for the State Street Single/Multi-Report encompasses the entire month to capture all transactions and reflect them appropriately in the financial statement records.
19	2023-07-02	01/13/2023	<b>Fiscal Year 2022 Financial Statement Audit Management Letter.</b> For the GL Account 112007 - Cash Regular, PBGC should design and implement a new control whereby PBGC performs monthly reconciliations of the Fund 3822

			State Street Bank Statements to the accounting ledger balances.
20	2023-07-03	01/13/2023	<b>Fiscal Year 2022 Financial Statement Audit Management Letter.</b> PBGC should direct State Street to value the marketable securities in Fund 3801 to use automated pricing, consistent with how all of PBGC's Fund portfolios managed by State Street are valued.
21	2023-07-04	01/13/2023	<b>Fiscal Year 2022 Financial Statement Audit Management Letter.</b> Monthly, PBGC should compare the unit price change month to month to ensure that the unit price has been updated by State Street.
22	2023-07-05	01/13/2023	<b>Fiscal Year 2022 Financial Statement Audit Management Letter.</b> Quarterly, PBGC should compare the State Street unit price of the securities in Fund 3801 to an independent PBGC pricing service to confirm the State Street unit price. If a pricing variance is above an absolute value of 3% (same threshold currently used between State Street and individual investment managers), PBGC should contact State Street to confirm its price and investigate/resolve the pricing variance.
23	2023-07-06	01/13/2023	<b>Fiscal Year 2022 Financial Statement Audit Management Letter.</b> Annually re-evaluate allocation methodologies considering any current and future year developments which may impact the execution of PBGC's operations such as proper allocation of direct and indirect expenses to the SFA program.
24	2023-07-07	01/13/2023	<b>Fiscal Year 2022 Financial Statement Audit Management Letter.</b> Management should correct and validate that the underlying report utilized in the compilation of the line item impacted – U.S. Government Securities – is complete and accurate.
25	2023-07-08	01/13/2023	<b>Fiscal Year 2022 Financial Statement Audit Management Letter.</b> Implement a process to revoke access to those user accounts whose Segregation of Duties violations have not been resolved in a timely manner, as defined by PBGC management.
26	2023-07-09	01/13/2023	<b>Fiscal Year 2022 Financial Statement Audit Management Letter.</b> We recommend PBGC management follow the established change management process for BigFix change deployments.

27	2023-08-02	02/24/2023	<b>PBGC Should Improve Its Special Financial Assistance Procedures.</b> Based on the fraud risk assessment, develop mitigation strategies for risks that require remediation.
28	2023-08-04	02/24/2023	<b>PBGC Should Improve Its Special Financial Assistance Procedures.</b> Define specific and measurable risk tolerances for changes in key assumptions that impact the SFA amount and develop related review procedures.
29	2023-08-05	02/24/2023	<b>PBGC Should Improve Its Special Financial Assistance Procedures.</b> Design specific procedures for the SFA program to ensure (1) appropriate in-depth analysis and review of exceptions, as well as consistent review of historical data for outliers, one-time items and other anomalies, and (2) ensure the review and decision-making process for exceptions and historical data is fully documented in the concurrence package.
30	2023-08-06	02/24/2023	<b>PBGC Should Improve Its Special Financial Assistance Procedures.</b> Develop procedures for reviewing the impact of inflation on administrative expenses and ensure supporting documentation is included in the case file.
31	2023-09-01	05/18/2023	<b>Evaluation of PBGC's Fiscal Year 2022 Compliance with the Payment Integrity Information Act of 2019.</b> Include the website hyperlink for <a href="https://www.paymentaccuracy.gov">PaymentAccuracy.gov</a> in PBGC's Annual Financial Report.
32	2023-11-01	06/30/2023	<b>Audit of PBGC's Review of Initial Special Financial Assistance Applications.</b> Develop and implement written guidelines to document analysis of potential issues and management agreement regarding the resolution of those potential issues prior to approving Special Financial Assistance applications.
33	2023-11-02	06/30/2023	<b>Audit of PBGC's Review of Initial Special Financial Assistance Applications.</b> Develop and implement additional controls to assess plans' benefit repayment calculations.
34	2023-11-03	06/30/2023	<b>Audit of PBGC's Review of Initial Special Financial Assistance Applications.</b> Develop and implement additional controls to assess plans' reported contribution history.

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

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

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For hearing/speech impaired services,  
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Or Write:  
Pension Benefit Guaranty Corporation  
Office of Inspector General  
445 12th St SW  
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