



# PENSION BENEFIT GUARANTY CORPORATION

## Semiannual Report to the Congress

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Management's Response to the OIG Semiannual Report:

October 1, 2016 – March 31, 2017

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Office of the Director



# PENSION BENEFIT GUARANTY CORPORATION

## SEMIANNUAL REPORT TO THE CONGRESS

The Pension Benefit Guaranty Corporation is committed to the improvement of retirement security for millions of Americans.

Through its dedicated, independent work, PBGC's Office of Inspector General (OIG) is fundamental to our success in serving the public. During the reporting period, PBGC has been working diligently to address the OIG recommendations, resulting in the lowest open inventory in years. We are especially focused on information security, the modernization of PBGC's key benefits-related information technology systems, and the transparency and accountability of our professional services contracting, which the OIG has cited as management challenges.

Since its inception, PBGC has worked hard to preserve plans and protect plan participants, and ensure that participants in trustee plans and their beneficiaries receive timely, uninterrupted benefits. In connection with the Fiscal Year 2016 financial statements, PBGC attained its 24<sup>th</sup> consecutive unmodified audit opinion, and maintained, in all material respects, effective internal control over financial reporting as of September 30, 2016.

To build on our record of promoting stewardship and accountability, PBGC places a great emphasis on internal controls. We continue to make significant progress in implementing the July 2016 update to the Office of Management and Budget's Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. PBGC's Internal Control Committee (ICC) meets monthly to oversee the implementation of improved controls across the agency. Our Risk Management Council (RMC), chaired by PBGC's Risk Management Officer, met frequently through the reporting period as well. The implementation of Enterprise Risk Management will help us better prioritize and manage risks facing PBGC.

Table 1 presents resolved audit reports issued prior to April 1, 2016, which contain recommendations that remain open. I am pleased to report that PBGC has closed more than 76 percent of the recommendations in these reports. Table 2 details OIG reports requiring final action. The OIG did not identify any "disallowed costs" or "funds to be put to better use."

In addition to our continued focus on internal controls to address the important issues raised by our OIG, I am keenly focused on risks facing PBGC insurance programs, particularly with respect to the Multiemployer Insurance Program, which continue to be reported in the Government Accountability Office's High Risk List.

I look forward to working with the Congress, the PBGC Board of Directors, and our Office of Inspector General in carrying out PBGC's critical mission.



W. Thomas Reeder  
Director



**Table 1**

**Management Statement on Resolved Audit Reports Over Twelve Months Old  
With Final Action Pending as of March 31, 2017**

<b>Date Issued</b>	<b>Report No.</b>	<b>Title of Report</b>	<b>Status of Management Actions</b>
11/15/2007	2008-02	Report on Internal Controls – PBGC’s FY 2007 and 2006 Financial Statement Audit.	Of the 18 recommendations included in the report, 15 were closed. The remaining three recommendations remain in process.
11/16/2010	2011-01	Evaluation of PBGC’s Strategic Preparations for a Potential Workload Influx.	Of the five recommendations included in the report, four were closed prior to the reporting period. One recommendation was closed subsequent to the reporting period.
5/16/2013	2013-07	FY 2012 Vulnerability Assessment and Penetration Testing Report	Of the five recommendations included in the report, three were closed. The remaining two recommendations remain in process.
5/14/2013	2013-08	Fiscal Year 2012 Financial Statement Management Letter	Of the ten recommendations included in the report, nine were closed. The remaining one recommendation has been submitted for review.
11/15/2013	2014-03	Report on Internal Controls Related to the Pension Benefit Guaranty Corporation’s FY 2012 and 2013 Financial Statement Audit	Of the seven recommendations included in the report, five were closed. The remaining two recommendations remain in process.
1/9/2014	2014-06	FY 2013 Vulnerability Assessment and Penetration Testing Report	Of the seven recommendations included in the report, five were closed. The remaining two recommendations remain in process.



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**Management Statement on Resolved Audit Reports Over Twelve Months Old  
With Final Action Pending as of March 31, 2017**

<b>Date Issued</b>	<b>Report No.</b>	<b>Title of Report</b>	<b>Status of Management Actions</b>
3/21/2014	2014-09	FY 2013 Federal Information Security Management Evaluation Report	Of the 18 recommendations included in the report, 17 were closed. The remaining one recommendation remains in process.
9/30/2014	2014-10	PBGC's Incentives and Compensation Flexibilities Program to Recruit and Retain Qualified Workforce	Of the four recommendations included in the report, two were closed; and two were closed subsequent to the reporting period.
11/14/2014	2015-03	Audit of PBGC's Fiscal Year 2014 Internal Controls Report	Of the 41 recommendations included in the report, 37 were closed. Of the remaining four recommendations, one was submitted for review, and the remaining three recommendations remain in process.
1/30/2015	2015-05	PBGC Compliance with MAP-21 Still a Work in Progress	Of the nine recommendations included in the report, two were closed. The remaining seven recommendations remain in process.
2/27/2015	2015-06	Fiscal Year 2014 Financial Statement Audit Management Letter	Of the 12 recommendations included in the report, 11 were closed. The remaining one recommendation was submitted for review.
3/30/2015	2015-07	Fiscal Year 2014 Vulnerability Assessment and Penetration Testing Report	Of the 14 recommendations included in the report, 12 were closed. The remaining two recommendations remain in process.
5/6/2015	2015-09	Fiscal Year 2014 Federal Information Security Management Evaluation Report	Of the 21 recommendations included in the report, 20 were closed. The remaining one recommendation remains in process.



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With Final Action Pending as of March 31, 2017**

<b>Date Issued</b>	<b>Report No.</b>	<b>Title of Report</b>	<b>Status of Management Actions</b>
11/13/2015	2016-3	Report on Internal Controls Related to the PBGC's FY 2015 and 2014 Financial Statement Audit	Of the five recommendations included in the report, one was closed, three recommendations were submitted for review, and the remaining one recommendation remains in process.
12/11/2015	2016-1	Fiscal Year 2015 Vulnerability Assessment and Penetration Testing Report	Of the six recommendations included in the report two were closed and four recommendations remain in process.
2/19/2016	2016-7	Fiscal Year 2015 Federal Information Security Evaluation Report	Of the eight recommendations included in the report, one recommendation has been closed; and seven recommendations remain in process.



**Table 2**

**Management Statement on OIG Reports Requiring Final Action For the  
Period Ending March 31, 2017**

Ref. Title 5 (b)(2)(A-(D))	Number of Reports	Disallowed Costs	Funds Put to Better Use
A. For which final action had not been taken by the commencement of the reporting period.	23	\$ -	\$ -
B. For which management decisions were made during the reporting period.	6 <sup>1</sup>	\$ -	\$ -
For which final action had been taken by the end of the reporting period, including--- i. dollar value of disallowed costs that were recovered by management ii. dollar value disallowed costs that were written off by management iii. dollar value of recommendations that were actually completed iv. dollar value of recommendations that management has subsequently concluded not or could not be implemented or completed  No. of reports for which final action was taken during the period.	7	\$ -	\$ -
D. For which no final action has been made by the end of the reporting period.	22	\$ -	\$ -

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<sup>1</sup> During the reporting period, the OIG issued eight (8) audit reports; only six (6) reports contained audit recommendations.