



PENSION BENEFIT GUARANTY CORPORATION

Semiannual Report to the Congress

Management's Response to the OIG Semiannual Report:

October 1, 2014 – March 31, 2015

Office of the Director
Washington, D.C.

SEMIANNUAL REPORT TO THE CONGRESS

The Pension Benefit Guaranty Corporation is committed to the improvement of retirement security and the preservation of the defined benefit pension system for millions of Americans.

For 40 years now, this small agency has worked toward a big mission: to encourage voluntary private pensions; to provide timely, uninterrupted benefits to pension participants and beneficiaries; and to keep premiums at the lowest level consistent with carrying out PBGC's obligations.

PBGC has made internal controls a high priority. PBGC managers have taken mandatory training on controls, including a session presented by the Government Accountability Office (GAO). Managers are now required to include their responsibility for internal controls in their performance plans. Managers also received training—with support from the Office of Inspector General—on preparing evidence to close audit recommendations. Moreover, management has undertaken a substantive review of our 12 business cycles to improve controls, with the oversight of our Internal Control Committee. PBGC is fully committed to working cooperatively with the PBGC OIG on this vital topic.

During the past year, PBGC received its 22nd consecutive unmodified (clean) financial statement audit opinion. PBGC is rightly proud to have met this standard. With the oversight of the OIG, the independent auditor, CliftonLarsonAllen LLP, also noted that three previously-reported material weaknesses in internal controls continue to exist. Two of those weaknesses—related to systems security and access controls/configuration management—are similar to the issues GAO recently cited as a high risk across the federal government. At PBGC, we are committed to our concerted, corporate-wide effort to respond and correct all of our material weaknesses.

Table 1, which follows, presents all of the recommendations in resolved audit reports over 12 months old. I am pleased to report that PBGC has closed 70 percent of the recommendations in these reports, with another 4 percent submitted for OIG review. The OIG did not identify any “disallowed costs” or “funds to be put to better use.” Table 2 details OIG reports requiring final action.

I am proud of PBGC's accomplishments in this reporting period and have high expectations for what is yet to come.



Alice C. Maroni
Acting Director

Table 1

**Management Statement on Resolved Audit Reports Over Twelve Months Old
With Final Action Pending as of March 31, 2015**

Date Issued	Report No.	Title of Report	Status of Management Actions
11/15/2004	2005-02	Audit of PBGC's FY 2004 and 2003 Financial Statements	Of the 21 recommendations included in the report, 20 were closed. The remaining one recommendation remains in process.
03/31/2005	2005-10	FY 2004 Financial Statement Audit – Management Letter	Of the 37 recommendations included in the report, 36 were closed. The remaining one recommendation remains in process.
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, ten were closed. The remaining eight recommendations remain in process.
11/13/2008	2009-02	Report on Internal Controls Related to PBGC's FY 2008 and 2007 Financial Statements Audit	Of the six recommendations included in the report, three were closed. Of the remaining three recommendations, one has been submitted to the OIG for closure and two remain in process.
01/15/2009	2009-04	FY 2008 Financial Statements Audit Management Letter	Of the 16 recommendations included in the report, 15 were closed. The remaining one recommendation remains in process.
11/12/2009	2010-02	Report on Internal Controls Related to the PBGC's Fiscal Year 2009 and 2008 Financial Statement Audit	Of the 20 recommendations included in the report, seven were closed. Of the remaining 13 recommendations, two have been submitted and 11 remain in process.

Table 1**Management Statement on Resolved Audit Reports Over Twelve Months Old
With Final Action Pending as of March 31, 2015**

Date Issued	Report No.	Title of Report	Status of Management Actions
02/23/2010	2010-04	FY 2009 Financial Statements Audit Management Letter	Of the 35 recommendations included in the report, 30 were closed. Of the remaining five recommendations, four have been submitted to the OIG for closure, and one recommendation remains in process.
03/22/2010	2010-07	Federal Information Security Management Act (FISMA) Independent Evaluation Report for FY 2009	Of the 12 recommendations included in the report, 10 were closed. The remaining two recommendations remain in process.
08/18/2010	2010-08	Authorization to Operate PBGC Information Systems	Of the four recommendations included in the report, two were closed. The remaining two 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. The remaining one recommendation remains in process.
02/24/2011	2011-06	FY 2010 Financial Statement Audit – Management Letter	Of the 19 recommendations included in the report, 18 were closed. The remaining one recommendation has been submitted to the OIG for closure.
03/30/2011	2011-10	PBGC Plan Asset Audit of Nation Steele Pension Plans Was Seriously Flawed	Of the 12 recommendations contained in the report, 11 were closed. The remaining one recommendation, remains in process.

Table 1**Management Statement on Resolved Audit Reports Over Twelve Months Old
With Final Action Pending as of March 31, 2015**

Date Issued	Report No.	Title of Report	Status of Management Actions
11/14/2011	2012-02	Report on Internal Controls Related to the Pension Benefit Guaranty Corporation's FY 2011 and 2010 Financial Statement Audit	Of the 17 recommendations included in this report, 12 were closed. Of the remaining five recommendations, one was submitted to the OIG for closure, and the remaining four remain in process.
11/30/2011	2012-05	PBGC's Processing of Terminated United Airlines Pension Plans was Seriously Flawed.	Of the 15 recommendations in the report, eight were closed. The remaining seven recommendations remain in process.
03/29/2012	2012-06	FY 2011 Financial Statement Audit – Management Letter	Of the 27 recommendations included in the report, 25 were closed. The two remaining recommendations remain in process.
5/11/2012	2012-09	FY 2011 FISMA Audit	Of the six recommendations contained in the report, five were closed. The remaining one recommendation remains in process.
11/5/2012	2013-02	Report on Internal Controls Related to the Pension Benefit Guaranty Corporation's FY 2012 and 2011 Financial Statement Audit	Of the five recommendations contained in the report, three were closed. The remaining two recommendations remain in process.
5/16/2013	2013-07	FY 2012 Vulnerability Assessment and Penetration Testing Report	Of the five recommendations contained in the report, two were submitted to the OIG for closure. The remaining three recommendations remain in process.

Table 1

**Management Statement on Resolved Audit Reports Over Twelve Months Old
With Final Action Pending as of March 31, 2015**

Date Issued	Report No.	Title of Report	Status of Management Actions
5/14/2013	2013-08	Fiscal Year 2012 Financial Statement Management Letter	Of the ten recommendations contained in the report, two were closed. Of the remaining eight recommendations, one was submitted and seven remain in process.
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 contained in the report, four have been closed. Of the remaining three recommendations, one has been submitted to the OIG for closure and two remain in process.
1/9/2014	2014-06	FY 2013 Vulnerability Assessment and Penetration Testing Report	Of the seven recommendations contained in the report, three have been closed. The remaining four recommendations remain in process.
1/31/2014	2014-07	FY 2013 Financial Statement Management Letter	Of the 14 recommendations contained in the report, 11 have been closed. The remaining three recommendations remain in process.
3/21/2014	2014-08	FY 13 Increased Oversight, Internal Controls and Performance Accountability	Of the eight recommendations contained in the report, all recommendations remain in process.
3/21/2014	2014-09	FY 2013 FISMA Audit	Of the 18 recommendations contained in the report, two have been closed. Of the remaining 16 recommendations, three have been submitted while the remaining 13 remain in process.

Table 2

**Management Statement on OIG Reports Requiring Final Action
For the Period Ending March 31, 2015**

	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.	27	\$ -	\$ -
B. For which management decisions were made during the reporting period.	4	\$ -	\$ -
C. For which final action had been taken during the reporting period, including---			
i. dollar value of disallowed costs that were recovered by management	0	\$ -	\$ -
ii. dollar value of disallowed costs that were written off by management	0	\$ -	\$ -
iii. dollar value of recommendations that were actually completed	0	\$ -	\$ -
iv. dollar value of recommendations that management has subsequently concluded not or could not be implemented or completed	0	\$ -	\$ -
No. of reports for which final action was taken during the period.	1		
D. For which no final action has been made by the end of the reporting period.	30	\$ -	\$ -