



PENSION BENEFIT GUARANTY CORPORATION

Semiannual Report to the Congress

Management's Response to the OIG Semiannual Report:

April 1, 2018 – September 30, 2018

PENSION BENEFIT GUARANTY CORPORATION

SEMIANNUAL REPORT TO THE CONGRESS

The Pension Benefit Guaranty Corporation remains resolute in our mission to improve the retirement security for millions of Americans.

PBGC's dedicated, independent 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 continue to focus 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.

While PBGC uses the best single source for information about deceased participants—the Social Security Administration's full Death Master File—the OIG has gone above and beyond that source, using its special legal authorities to inform management about deaths discovered in other sources. Management is grateful for that support and is working with OIG in following up on those cases.

Since its inception, PBGC has worked hard to preserve plans, protect plan participants and ensure that participants in trustee plans and their beneficiaries receive timely, uninterrupted benefits. Last year, PBGC attained its 25th consecutive unmodified audit opinion, and maintained, in all material respects, effective internal control over financial reporting.

Building 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 latest 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 regularly to oversee the implementation of improved controls across the agency. The ICC has focused on controls to prevent fraud in FY 2018, as we carry out the Fraud Prevention and Data Analytics Act requirements. 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 October 1, 2017, 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.

In addition to our continued focus on internal controls to address the important issues raised by our OIG, I remain keenly focused on risks facing PBGC insurance programs, particularly with respect to the Multiemployer Insurance Program. These programs continue to be reported in the Government Accountability Office's High Risk List and the solvency of the multiemployer program is now the subject of a joint select committee of the Congress.

Our work with the Congress, the PBGC Board of Directors, and our Office of Inspector General is critical in carrying out PBGC's vital mission.



W. Thomas Reeder
Director

Table 1

**Management Statement on Resolved Audit Reports Over Twelve Months Old
With Final Action Pending as of September 30, 2018**

Date Issued	Report No.	Title of Report	Status of Management Actions
11/15/2007	2008-2	Report on Internal Controls PBGC's FY 2007 and 2006 Financial Statement Audit	Of the 18 recommendations included in the report, 16 were closed, one was submitted to the OIG for closure, and one was in process as of the end of the reporting period. Subsequent to the end of the reporting period, one recommendation was returned.
5/16/2013	2013-7	FY 2012 Vulnerability Assessment and Penetration Testing Report	Of the five recommendations included in the report, three were closed as of the end of the reporting period. Subsequent to the reporting period, one recommendation was closed. The remaining recommendation is in process.
11/15/2013	2014-3	Report on Internal Controls Related to the PBGC's FY 2013 and 2012 Financial Statement Audit	Of the seven recommendations included in the report, six were closed. The remaining recommendation is in process.
1/9/2014	2014-6	FY 2013 Vulnerability Assessment and Penetration Testing Report	Of the seven recommendations included in the report, six were closed. The remaining recommendation is in process.
3/21/2014	2014-9	FY 2013 Federal Information Security Management Evaluation Report	Of the 18 recommendations included in the report, 17 were closed. The remaining one recommendation is in process.
11/14/2014	2015-3	Report on Internal Controls Related to the PBGC's FY 2014 and 2013 Financial Statement Audit	Of the 41 recommendations included in the report, 38 were closed. The three remaining recommendations have been submitted to the OIG for closure.

Table 1

**Management Statement on Resolved Audit Reports Over Twelve Months Old
With Final Action Pending as of September 30, 2018**

Date Issued	Report No.	Title of Report	Status of Management Actions
1/30/2015	2015-5	PBGC Compliance with MAP-21 Still a Work in Progress	Of the nine recommendations included in the report, six were closed. The remaining three recommendations are in process.
3/30/2015	2015-7	Fiscal Year 2014 Vulnerability Assessment and Penetration Testing Report	Of the 14 recommendations included in the report, 12 were closed. The two remaining recommendations are in process.
5/6/2015	2015-9	Fiscal Year 2014 Federal Information Security Management Evaluation Report	Of the 21 recommendations included in the report, 20 were closed. The remaining recommendation is in process.
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, four were closed. The remaining recommendation is in process.
12/11/2015	2016-1	Fiscal Year 2015 Vulnerability Assessment and Penetration Testing Report	Of the six recommendations included in the report, four were closed. The two remaining recommendations are in process.
2/19/2016	2016-7	Fiscal Year 2015 Federal Information Security Evaluation Report	Of the eight recommendations included in the report, five were closed. Of the three remaining recommendations, one has been submitted to the OIG for closure and two remain in process.

Table 1

**Management Statement on Resolved Audit Reports Over Twelve Months Old
With Final Action Pending as of September 30, 2018**

Date Issued	Report No.	Title of Report	Status of Management Actions
11/15/2016	2017-3	Report on Internal Controls Related to the PBGC's FY 2016 and 2015 Financial Statement Audit	Of the eight recommendations included in this report, three were closed, four were submitted to the OIG for closure and one was in process as of the end of the reporting period. Subsequent to the end of the reporting period, one recommendation was returned.
1/18/2017	2017-6	PBGC's Fiscal Year 2016 Financial Statement Audit Management Letter Report	Of the nine recommendations included in this report, four were closed and four submitted to the OIG for closure as of the end of the reporting period. The remaining recommendation was in process. Subsequent to the end of the reporting period, two recommendations were returned.
02/22/2017	2017-8	Fiscal Year 2016 Vulnerability Assessment and Penetration Testing Report	Of the three recommendations included in this report, all are in process.
03/22/2017	2017-9	Fiscal Year 2016 Federal Information Security Report	Of the 20 recommendations included in the report, nine were closed as of the end of the reporting period. Subsequent to the end of the reporting period, nine recommendations were closed. Of the two remaining recommendations one was submitted to the OIG for closure and one remains in process.

Table 2

**Management Statement on OIG Reports Requiring Final Action For the
Period Ending September 30, 2018**

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.	1 ¹	\$ -	\$ -
C. 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 of 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 should not or could not be implemented or completed No. of reports for which final action was taken during the period.	4	\$ -	\$ -
D. For which no final action has been made by the end of the reporting period.	20	\$ -	\$ -

¹ During the reporting period, the OIG issued four (4) audit reports; only one (1) report contained an audit recommendation.