Office of Inspector General
Pension Benefit Guaranty Corporation

Semiannual Report to Congress

For the Period April 1, 2021 to September 30, 2021

SARC #65

Our Value Framework

Principles	Integrity – Respect – Excellence
Vision	Providing deep knowledge and sensible solutions through independent, positive engagement
Mission	Conduct independent and objective audits and investigations of PBGC programs and operations
	Provide leadership to promote efficiency and effectiveness
	Prevent and detect fraud and abuse in PBGC programs and operations
	Keep the Board and Congress fully and currently informed about problems and deficiencies
	Report immediately to the Board whenever the Inspector General becomes aware of any particularly serious or flagrant problems
	Report expeditiously to the Attorney General whenever the Inspector General has reasonable grounds to believe there has been a violation of federal criminal law
Pillars	People Focused – Process Oriented – Performance Driven

From the Inspector General


Nicholas J. Novak

The Board of Directors
Pension Benefit Guaranty Corporation

I am pleased to present this Semiannual Report summarizing the activities of our office for the period April 1, 2021 through September 30, 2021.

Under the Special Financial Assistance (SFA) program of the American Rescue Plan Act (ARPA), over the next five years PBGC will distribute to eligible multiemployer plans an estimated $97.2 billion − almost 5% of ARPA's $1.9 trillion – in taxpayer funds. (By comparison, in 2020, PBGC paid out $173 million in financial assistance to insolvent multiemployer plans.)

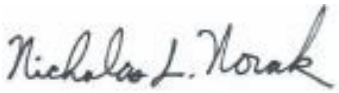
PBGC began accepting SFA applications from multiemployer plans on July 9 and, as of September 30, the Corporation has received 19. In those applications, plans seek, in total, an estimated $3.2 billion. The statutory deadline for PBGC to review SFA applications is short. If it intends to deny a plan's application, the Corporation has 120 days from receipt to do so. If PBGC does not deny an application by then, it is deemed approved.

As PBGC is developing new processes to implement the SFA program, the OIG is implementing plans to assess that work. We've launched two engagements. In one, we will review the program from the top-down to assess overall risk. In the other, we will conduct a bottom-up review to assess processes and procedures – work that encompasses day-to-day reviews, math checks, and paperwork that in the end determines which plans receive money and how much.

We've hired new auditors and specialists with multiemployer and actuarial expertise to help us with our oversight of the SFA program. We've also talked to other federal agencies with whom we have joint interests and responsibilities, such as the Office of Management and Budget (OMB), the Department of Labor, and the Treasury Inspector General for Tax Administration, to ensure we have the right oversight framework in place. And we are coordinating with the CIGIE Pandemic Response Accountability Committee to develop a risk model for multiemployer plans that apply for SFA.

Given the enormous amount of SFA money to be distributed, the large number of expected applicants, and the tight timeframe for acting upon those applications and paying out funds, administering the SFA program is a serious challenge for PBGC. The OIG, however, is working to ensure that PBGC manages the SFA program effectively and efficiently.

Respectfully submitted,



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

ARPA	American Rescue Plan Act
BCV	Benefits Calculation and Valuation
CFS	Consolidated Financial System
CIGIE	Council of the Inspectors General on Integrity and Efficiency
COR	Contracting Officer Representative
CPAF	Cost-Plus-Award-Fee
CRM	Customer Relationship Management
DATA Act	Data Accountability and Transparency Act of 2014
DOJ	Department of Justice
EBSA	Employee Benefit Security Administration
ERISA	Employee Retirement Income Security Act of 1974
ERM	Enterprise Risk Management
EY	Ernst and Young, Limited Liability Partnership
FAR	Federal Acquisition Regulation
FedRAMP	Federal Risk and Authorization Management Program
FFP	Firm-Fixed-Price
FISMA	Federal Information Security Modernization Act
FY	Fiscal Year
GAO	Government Accountability Office
I&E	Inspections and Evaluations
IDIQ	Indefinite Delivery, Indefinite Quantity
IG Act	Inspector General Act of 1978
IPVFB	Integrated Present Value of Future Benefits
IT	Information Technology
LH	Labor Hour
MPP	Missing Participants Program
My PAA	My Plan Administration Account
MY PBA	My Pension Benefit Access
NIST	National Institute of Standards and Technology
OBA	Office of Benefits Administration
OGC	Office of General Counsel
OIG	Office of Inspector General
OIT	Office of Information Technology
OMB	Office of Management and Budget

ONR	Office of Negotiations and Restructuring
PBGC	Pension Benefit Guaranty Corporation
PD	Procurement Department
PII	Personally Identifiable Information
PIIA	Payment Integrity Act of 2019
PL	Public Law
PPA	Pension Protection Act of 2006
PVFB	Present Value-Future Benefit
SEC	Securities and Exchange Commission
SFA	Special Financial Assistance
SSN	Social Security Number
T&M	Time and Materials
U.S.C.	United States Code

Executive Summary

During the period April 1, 2021 through September 30, 2021, we:

- Closed 6 recommendations and issued 5 new recommendations. The total number of open audit recommendations is 62. (P. 21)

Issued the following reports:

- **PBGC's Fiscal Year 2020 Compliance with the Payment Integrity Information Act of 2019**. In accordance with the Payment Integrity Information Act of 2019 (PIIA) (PL 116-117), as amended, we reviewed PBGC's compliance with the PIIA requirements. PBGC has taken actions to comply with all applicable requirements established in OMB Circular A-123, Appendix C. For Fiscal Year 2020, PBGC assessed Payments to Federal Employees and determined that the payment stream was not susceptible to significant improper payments. We determined that PBGC is compliant with the improper payment requirements. (P. 21)

- **PBGC Needs to Strengthen Acquisition Planning for Actuarial Support Services.** PBGC's acquisition planning for actuarial support services did not meet its needs timely and effectively. Delays in acquisition planning led PBGC to extend the previous contracts and award follow-on contracts on a sole-source basis. Furthermore, PBGC awarded a contract to assist PBGC with planning for these contracts that had duplicative requirements of an existing contract. As a result, we identified $447,780 in funds that could have been put to better use from the duplicative procurement support contract. Furthermore, the initial task orders had poorly defined requirements and different amounts of work for the same price. In addition, the new actuarial support services multiple award Indefinite Delivery, Indefinite Quantity contracts each contained different timeliness measures and did not have performance measures for the accuracy of contractors' calculations of benefits and related liabilities; this may lead to additional costs from contractors' time spent correcting errors under labor-hour and time-and-materials task orders.

  We made five recommendations. PBGC agreed to take related corrective actions with all five recommendations. (P. 22)

- The following are the significant accomplishments of the Investigative Division:

  - The former PBGC Procurement Department Director, a contracting firm's chief executive officer, a contracting firm's chief operating officer, and a contracting firm

were debarred from federal procurement activities for nine years after a PBGC OIG and FBI investigation determined they participated in a bribery conspiracy involving PBGC contracts. The debarments followed guilty pleas by the three defendants to bribery conspiracy charges and all defendants have been sentenced. (P. 27)

- A 52-year-old Woodbury, Connecticut man was sentenced to 4 years' probation, ordered to pay restitution of $36,067.38 ($22,689.08 to the Social Security Administration and $13,378.30 to PBGC), 100 hours of community service, and a $100 Special Assessment. The defendant previously pleaded guilty on May 11, 2021, in the U.S. District Court, District of Connecticut to a one count information charging a violation of 18 U.S.C. § 641, Theft of Public Funds. (P. 27)

- A 70-year-old Philadelphia, Pennsylvania woman was sentenced to 3 years' probation, with the first 6 months in home confinement. She was also ordered to pay restitution of $135,513.60 ($133,914 to the Social Security Administration and $1,599.60 to PBGC) and a $100 Special Assessment. The defendant previously entered a guilty plea on February 4, 2021, to a charge of Theft of Public Funds in violation of 18 U.S.C. § 641. (Page 28)

Deceased Participants Program

We continued our efforts under the fraud detection/computer matching initiative to identify deceased participants in the single-employer and multiemployer programs. To date, we have identified 207 instances of improper payment or fraud relating to deceased participants in the single-employer and multiemployer programs. We referred those cases to PBGC for coordination to terminate benefit payments and seek recoupment. (P. 28)

Background

Pension Benefit Guaranty Corporation

The Employee Retirement Income Security Act of 1974 (ERISA) established the Pension Benefit Guaranty Corporation (PBGC or Corporation) within the U.S. Department of Labor 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 34 million American workers and retirees who participate in about 24,500 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 trusteed by PBGC, and recoveries from the companies formerly responsible for the plans. In FY 2020, PBGC paid over $6.1 billion in retirement benefits to more than 984,000 retirees in over 5,000 single-employer plans. It also paid $173 million in financial assistance to 95 multiemployer plans.[1] It manages approximately $147 billion in total assets.

PBGC's long-term financial future remains uncertain, due in part to the collective risk of the many underfunded pension plans PBGC insures and a long-term decline in the number of traditional defined benefit plans. The Government Accountability Office (GAO) designated the single-employer program in 2003, and the multiemployer program in 2009, as high-risk. GAO's March 2021 high-risk report highlighted that PBGC faced both an immediate and critical challenge with its multiemployer program and long-term risks with its single-employer program. At the end of FY 2020, PBGC's net position in the single-employer program was $15.5 billion, and its net position in the multiemployer program was negative $63.7 billion. For FY 2020, PBGC's estimate of the reasonably possible exposure to loss in the single-employer program was $176.2 billion and it was $9.3 billion in the multiemployer program. According to PBGC's FY 2020 Projections Report (issued in September 2021), this year's projections of the multiemployer program show a significant improvement. Last year's report projected PBGC's multiemployer program would become insolvent during FY 2026. The new projections report shows a continued high likelihood of insolvency but delayed until at least the mid-2030s and likely to a point more than 30 years out.

[1] Unless otherwise cited, the figures contained in this section are based on PBGC's 2020 Annual Report.

For the first time in its 47-year history, PBGC received taxpayers' funds to provide Special Financial Assistance to financially troubled multiemployer plans under ARPA. PBGC created the SFA program to provide an estimated $97.2 billion in assistance to more than 200 eligible plans that are severely underfunded. In July 2021, PBGC published an interim final rule implementing a new SFA program for financially troubled multiemployer defined benefit pension plans, which is subject to future changes after considering public comments. As of September 30, 2021, 19 plans submitted applications, with the requested SFA amount totaling approximately $3.2 billion. PBGC is currently reviewing those applications. Oversight of the SFA program is crucial to guard against fraud, waste, and mismanagement of funds. To maximize the value of the OIG's oversight, it is critical that OIG has adequate resources to oversee the implementation and administration of SFA for the multiemployer program and guard against the misuse of funds.

PBGC's governance structure is comprised of the Board of Directors, their Board Representatives, the Advisory Committee, a Presidentially-appointed and Senate-confirmed Director, and PBGC executives. PBGC is also subject to Congressional oversight. Other elements of governance include PBGC's system of internal control, its clearly articulated authority under ERISA to act, and PBGC's operational policies and procedures. PBGC governance is complex and requires those who are charged with its oversight to view the Corporation from different perspectives. Oversight by the PBGC Board, PBGC management, and OIG is critical to effective corporate governance.

The Office of Inspector General

The PBGC Office of Inspector General was created under the 1988 amendments to the Inspector General Act of 1978 (IG Act). We provide independent and objective audits, inspections, evaluations, and investigations to help Congress, the Board of Directors, and PBGC protect the pension benefits of American workers.

We are organizationally independent from the Corporation, with the Inspector General reporting to the Board of Directors. Under Public Law 112-141, the Inspector General must attend at least two Board meetings per year "to provide a report on the activities and findings of the Inspector General, including with respect to monitoring and review of the operations of the Corporation."

The OIG executive leadership team consists of the Inspector General, the 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 office operations.

Our office operates in compliance with the *Quality Standards for Federal Offices of Inspector General* issued by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). Our audits are performed in compliance with *Generally Accepted Government Auditing Standards* issued by the Comptroller General of the United States. Our evaluations and inspections work are performed in compliance with the CIGIE *Quality Standards for Inspection and Evaluation*, and investigations are conducted in compliance with the CIGIE *Quality Standards for Investigations*. We strive to provide deep knowledge and sensible solutions through independent, positive engagement. We focus our available resources on high-risk areas and continuously seek ways to increase value to our stakeholders. During FY 2021, we completed our *Office-Wide Assessment of Structural Threats* to help ensure independence. We also continued emphasis on our OIG capability model to focus on three oversight imperatives: Contracting, Data Analytics and Visualization, and Compliance and Integrity.

We actively participate in and support OIG community activities. The Inspector General represents our office on the CIGIE Enterprise Risk Management Working Group. Our Chief Counsel represents our office on the Chief Counsels of Inspectors General Employment Law Working Group. Our Assistant Inspector General for Management and Administration represents our office on the CIGIE Data Analytics Working Group. Additionally, two of our auditors are part of the CIGIE Leading, Inspiring, and Fostering Talent Network, an audit manager participates in the CIGIE's Enterprise Risk Management Working Group, and an analyst is a member of CIGIE's Quality Assurance Working Group.

We actively support Diversity, Equity & Inclusion within the community and throughout our office. An auditor serves on the CIGIE Diversity, Equity & Inclusion Work Group. In September 2021, we held an internal seminar for all OIG staff titled, "How to be Inclusive in This New Virtual Workplace." This seminar provided an opportunity for staff and leadership to discuss ways to value differences, increase belonging, and put inclusive practices in place.

Our Assistant Inspector General for Investigations and our Assistant Inspector General for Audits led teams that received a CIGIE Award for Excellence. The Award for Excellence in Investigations was in recognition of exemplary investigative efforts resulting in the prosecution of the former PBGC Procurement Department Director and two co-conspirators for their roles in a complex bribery scheme. The Award for Excellence in Multiple Disciplines was in recognition of investigative and audit efforts resulting in the prosecution of the former PBGC Procurement Director and two co-conspirators, as well as recommendations to strengthen the internal controls to improve procurement integrity. In total, ten people contributed to the hard work mentioned in both awards: six within PBGC OIG and four external to our office, demonstrating the value of teamwork within and across the OIG community.

Management Challenges

Information Security

Protecting retiree income by paying benefits on time and accurately is a statutory requirement and one of the fundamental reasons PBGC exists. In FY 2020, the Corporation paid over $6.1 billion in benefits to more than 984,000 retirees in single-employer plans, and $173 million in financial assistance/benefits to 79,600 participants in 95 multiemployer plans. PBGC relies on information systems and electronic data to carry out operations and to process, maintain, and report essential information. Many of PBGC's systems contain vast amounts of personally identifiable information (PII), including approximately two million Social Security numbers (SSN) for active customers. It is PBGC's responsibility to protect the confidentiality, integrity, and availability of this information.

GAO has identified information security as a government-wide high-risk since 1997 and expanded the risk in 2015 to include protecting the privacy of PII. Protecting PBGC networks, systems, and data is a long-standing and continuing management challenge. During FY 2020, PBGC closed a total of 28 recommendations between the financial statement and Federal Information Security Modernization Act (FISMA) audits; however, continued work and focus is needed.

We have noted PII concerns beginning with our FY 2010 report, *PBGC Needs to Improve Controls to Better Protect Participant Personally Identifiable Information* and, in a limited distribution Risk Advisory, *Personally Identifiable Information and Data Loss Prevention Control Weaknesses*, issued in 2017.

Management continued to make progress in information security and identified maintaining effective Information Technology (IT) security as a strategic objective within their Strategic Goal to maintain a *High Standard of Stewardship and Accountability*. In our FY 2015 internal controls report, IT conditions we previously reported as *material weaknesses* resulting in an adverse opinion on internal control being downgraded to *significant deficiencies*. Management's continued focus and corrective actions resulted in the entity-wide security program planning and management, and access control and configuration management no longer being reported as *significant deficiencies* as of FY 2017 and FY 2020. However, we identified a new *significant deficiency* regarding segregation of duties controls over information systems in FY 2020.

Our FY 2020 FISMA audit found PBGC made improvements in its information security program, with 21 additional metrics being assessed at the *Managed and Measurable* level from the prior year. The ratings for both the configuration management and security training domains increased to *Managed and Measurable*. However, weaknesses were noted in the

domains of risk management, configuration management, identity and access management, data protection and privacy, and security training. A total of 11 new recommendations were made in our FY 2020 FISMA report to assist PBGC in strengthening its information security program.

During FY 2019, we issued an evaluation report, *PBGC's Data Protection at Contractor-Operated Facilities*. Our report found that although controls relating to data protection at the contractor-operated facilities are for the most part suitably designed, controls relating to the monitoring of the personnel security process and oversight by Contracting Officer's Representatives (CORs) are not consistently executed in a manner to ensure the protection of sensitive information.

In FY 2019, we also issued a Risk Advisory to management that highlighted the need for additional safeguards to protect sensitive participant data from insider threats. Our evaluation of *PBGC's Efforts to Reduce the Collection, Maintenance, and Use of Social Security Numbers*, issued in September 2019, identified several PBGC offices that have responsibilities involving the collection, maintenance or use of SSN. The types of work vary by office and individual, but include access to SSN of federal employees, contractors, pension plan participants, or beneficiaries. Although the Office of Information Technology (OIT) has made efforts in controlling access to PII, including SSN, continued progress is needed across the organization to more narrowly grant access based on individual employee's duties in accordance with the principle of least privilege. Limits of PBGC's technology affect both its ability to conceal SSN when not needed and to secure SSN and other PII. As PBGC plans and continues modernizing its systems, limiting access to SSN with the latest IT technology should be considered.

Continued improvements in PBGC's information security posture are needed so the Corporation can remain agile in the rapidly changing threat environment. The National Institute of Standards and Technology (NIST) published the latest revision to the *Security and Privacy Controls for Information Systems and Organizations* in September 2020. The Corporation must leverage the latest controls and swiftly implement the federal security standards and OMB requirements.

Modernization of PBGC's Key Benefits-Related Information Technology Systems

The modernization of legacy systems challenges agencies to prioritize IT spending to deliver better service to the public while enhancing mission effectiveness, reducing cybersecurity risks, and building a modern IT workforce. Along with infrastructure modernization projects, PBGC also needs to prioritize program office modernization projects to ensure they are strategically aligned, transparent, synchronized, and driven by performance-based data.

PBGC is currently modernizing portions of its Participant Management Program. This program provides the capability to administer benefits to more than 1.5 million participants in PBGC trusteed plans and facilitates payments to around one million retirees or their beneficiaries, with benefits over $6 billion. The program is the consolidation of the Integrated Present Value of Future Benefits (IPVFB); Benefits Administration, Benefit Calculation and Valuation (BCV); Spectrum; and other related IT systems.

Our office continued to identify the importance of modernizing IT systems, and management has made some progress in this area. In 2019, testing of the Present Value Future-Benefit (PVFB) liability revealed errors caused by IT systems limitations or programming flaws, as well as data entry errors and inaccurate use of plan data provisions. While PBGC completed the last phase of its modernization projects for IPVFB in FY 2018, PBGC management decided not to correct some of the historical errors due to the immaterial impact on PBGC's actuarial liability. PBGC is reporting several modernization projects affecting key benefits and premium related IT systems being on schedule, including BCV, Customer Relationship Management (CRM) and MyPAA, PBGC's premium collection system.

BCV is PBGC's pension calculation and valuation solution used by plan actuaries to determine participant benefits and calculate corporate liabilities for plans PBGC will trustee. The BCV modernization aims to close performance gaps, retire antiquated technology, reduce security issues, incorporate re-engineered processes, and integrate with other corporate systems while aligning with IT infrastructure. PBGC reported that it completed phase 1 of the BCV modernization at the end of FY 2020, which consolidated a case-specific plan and participant data stored across thousands of databases into a single, secure, centralized database. Phase 2 was deployed on October 4, 2021 and is expected to modernize the benefit calculation components to web-based technology and modernize the interfaces between BCV with other PBGC systems. The modernized components are expected to connect to the centralized database, improve ease of use, improve data integrity and security, and ensure greater consistency and accuracy.

QuEST is the central repository for all PBGC participant interactions. Customer service representatives use data pulled from the repository to answer questions for plan participants, beneficiaries, and plan managers. QuEST replaced the legacy CRM and My PBA systems with a platform hosted in the cloud, and leverages GSA's *login.gov* – a Federal Risk and Authorization Management Program (FedRAMP)[2] approved authentication and identity proofing platform – to improve system security. The CRM modernization has been completed.

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

My PAA is a secure, web-based application that currently enables pension plan practitioners to electronically submit premium filings and pay insurance premiums to PBGC. The replacement is based on Oracle commercial off-the-shelf software and is expected to enable configurable front-end business rules, user interactions, and integration with other applications that can be changed more easily, quickly, and for lower cost; enable processing power to be scaled to accommodate peak premium filing periods; enable PBGC to offer additional user-friendly and self-service features and capabilities to enhance the filing experience for practitioners; and better support evolving IT security requirements. The My PAA replacement has been completed.

PBGC's Office of Negotiations and Restructuring (ONR)−Office of the General Counsel (OGC) Case Management Modernization is set to replace the Risk Management and Early Warning and Legal Edge for Windows systems, which have reached their end-of-service-life. The modernized solution plans to maximize Commercial Off-the-Shelf functionality and continue PBGC's migration of mission critical applications to the Microsoft Cloud utilizing both the Microsoft Dynamics platform, as well as Microsoft Azure IaaS/PaaS. The modernization is scheduled to be complete in FY2023.

To mitigate some of the risk of modernization projects, PBGC reports using agile development methodologies and holding bi-weekly executive briefings. Additionally, per suggestion from the OIG, PBGC-OIT has provided information related to project costs in the public domain for significant IT modernization efforts. This process was initiated with the ONR-OGC Case Management Modernization, CRM modernization effort, My Plan Administration Account Replacement, BCV Phase 1, BCV Phase II, and will continue for future significant IT modernization efforts.

Since 2015, GAO has identified *Improving the Management of IT Acquisitions and Operations* as high-risk because "federal IT investments too frequently fail or incur cost overruns and schedule slippages while contributing little to mission-related outcomes. These investments often suffered from a lack of disciplined and effective management, such as project planning, requirements definition and program oversight and governance." With PBGC embarking on critical legacy system modernization, we continue to identify PBGC's modernization efforts as a top management challenge and will provide oversight in light of the critical nature of the systems, PBGC's history of challenges in integrating its systems, and its reliance on professional services contract support.

Transparency and Accountability of Professional Services Contracting

PBGC is highly dependent on contractor staff to conduct its work, which includes providing IT support, developing and assessing internal controls, and calculating and paying pension benefits. For example, the Office of Benefit Administration (OBA) has approximately 260 federal employees supported by over 700 contractor staff. Within these totals, OBA's two primary field offices, which oversee the day-to-day benefits administration activities and Customer Contact Center for PBGC's trusteed and non-trusteed plans, are staffed with about 500 contractor employees. In addition, OIT has approximately 120 federal employees and 340 contract staff to operate, maintain, and secure PBGC's network, systems, and services. This staffing model has raised concerns in the past regarding inherently governmental functions and the technical ability of a sufficient number of federal employees to effectively oversee contract deliverables.

Contractors are an important part of the PBGC workload influx plan in the event of a dramatic increase in plan failures; this is because benefit calculations are based on contractors performing critical plan asset evaluations, participant data reviews, actuarial valuations services, and data collection. In FY2021, PBGC became the trustee for the Excide Pension Plan, which covers about 8,700 current and future retirees. Although PBGC has not seen an influx of plan terminations, the agency may be at risk for a higher-than-normal volume if economic conditions decline.

Our office has raised concerns for many years about PBGC management's oversight of professional services contracts. Most recently, our June 2021 evaluation found that PBGC's acquisition planning for actuarial support services did not meet its needs timely and effectively. PBGC relies on actuarial contractors to help pay timely and accurate benefits to participants in single-employer pension plans trusteed by PBGC. In a previous audit initiated after the former PBGC Procurement Department (PD) Director's guilty plea in May 2020, we found internal control deficiencies contributed to contract steering for one procurement support contract and avoidance of competition requirements for five other contracts, including four professional services contracts. In a separate audit, we found PD did not administer the Cost-Plus-Award-Fee (CPAF) contract for IT infrastructure operations and maintenance services in a manner consistent with the Federal Acquisition Regulations (FAR). To its credit, PBGC rectified 6 of the 7 recommendations from this audit in the past fiscal year.

In our evaluation of a service contract to assist PD with a backlog of contract close-outs, we found PD did not perform adequate monitoring during the period of performance and did not follow-up on findings from the contract close-out reports. We also reported on concerns

about contracts that include closely aligned firm-fixed-price and labor-hour type tasks, and concerns regarding over-reliance on contractors for IT system modernization efforts. Sufficient and effective oversight is a shared responsibility though, and this remains a top management challenge.

In Focus

The DATA Act

It's critical to accountability and transparency that government agencies report spending data accurately. That's where the Digital Accountability and Transparency Act of 2014 (DATA Act) comes in. Its aim is to develop standards for the accuracy and consistency of reported federal spending. Every two years, beginning in 2017, Inspectors General issue a report to Congress regarding the completeness, accuracy and timeliness of data sent by their parent agencies to *USASpending*.gov.

PBGC submits two types of data to *USASpending.gov*: (1) contractual spending (procurements) and (2) financial assistance paid to insolvent multiemployer plans. For our 2021 DATA Act report, we tested 59 PBGC data elements. We collected a random sample of 112 PBGC transactions and determined their error rates for accuracy, completeness, and timeliness. We then combined those results with nonstatistical tests to generate an overall quality rating. The Corporation scored 97 points, meaning its data is generally reliable. Ultimately, we rated PBGC's data quality as "excellent."

Our DATA Act report contained a single recommendation for PBGC: The Office of Negotiations and Restructuring (ONR) should ensure all financial assistance awards, modifications, or corrections are submitted timely for publication at *USASpending.gov*. This is no small matter. Soon, PBGC will become responsible for reporting Special Financial Assistance to struggling multiemployer plans. This pool of funds from the Treasury Department, part of the American Rescue Plan Act, is estimated at $97.2 billion, more than 10 times PBGC's entire budget. Payments will be distributed in lump sums to about 200 pension plans that might otherwise go insolvent. Even though the money doesn't have to be repaid, it must be tracked and reported to *USASpending.gov*.

USASpending.gov

Through the third quarter of FY21, the Department of the Treasury accounted for approximately 21% of federal spending – $1.8 trillion of the $8.5 trillion obligated through July. Treasury is the second-largest agency by spending for the second year in a row, ahead of the Department of Defense and the Social Security Administration. Treasury usually ranks fourth, but the 2020 CARES Act and the 2021 American Rescue Plan Act changed that. This data, and a great deal more, are available at *USASpending.gov*, the official source for all federal government spending. The government website aggregates spending data by fiscal year across 108 federal agencies and allows users to drill down into most of the major financial and award data for each agency.

Audits, Evaluations, and Reviews

Summary of Performance

Category	Number
Open Recommendations Beginning of Period	**68**
Opened This Period	5
Closed This Period	11
Open Recommendations End of Period	**62**
Reports with Open Recommendations End of Period	**18**

Performance Audits, Evaluations and Special Reports

PBGC's Fiscal Year 2020 Compliance with the Payment Integrity Information Act of 2019

(EVAL-2021-08, issued May 10, 2021)
https://oig.pbgc.gov/pdfs/Eval_2021_08.pdf

The Payment Integrity Information Act of 2019 (PIIA) and Appendix C to the OMB Circular A-123, *Requirements for Payment Integrity Improvement*, requires agencies to report information related to improper payments. An improper payment is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. The law requires an agency Inspector General to annually review agency improper payment reporting in the annual Agency Financial Report or Performance and Accountability Report. The objective of this evaluation was to determine if PBGC met all PIIA requirements.

PBGC identified these five payment streams as programs/activities in prior fiscal years: (1) Benefit Payments, (2) Contractor and Purchase Card Payments, (3) Payments to Federal Employees, (4) Multiemployer Financial Assistance Payments, and (5) Premium Refunds. In the previous years, PBGC concluded that none of the streams were susceptible to significant improper payments. According to OMB, for programs that are deemed not to be susceptible to significant improper payments, agencies must perform risk assessments at least once every three years. In FY 2020, in accordance with its three-year rotation strategy, PBGC performed risk assessments of Payments to Federal Employees, which was the subject of our evaluation.

We determined that PBGC is compliant with the applicable improper payment requirements.

PBGC Needs to Strengthen Acquisition Planning for Actuarial Support Services

(EVAL-2021-09, issued June 4, 2021)
https://oig.pbgc.gov/pdfs/EVAL-2021-09.pdf

We found that PBGC's acquisition planning for actuarial support services did not meet its needs timely and effectively.

PBGC relies on actuarial contractors to help pay timely and accurate benefits to participants in single-employer pension plans trusteed by PBGC. For the current actuarial support services contracts, PBGC awarded a multiple award Indefinite Delivery, Indefinite Quantity (IDIQ) contract to five contractors. For this IDIQ, PBGC awarded various types of task orders, including firm-fixed-price (FFP), time-and-materials (T&M), and Labor-Hour (LH). As of March 1, 2021, PBGC obligated a total of $81.9 million on the IDIQ task orders.

Delays in planning and resolving disagreements led PBGC to extend the period of performance for the previous contracts, then award follow-on bridge contracts on a sole-source basis for a total of 18 months of non-competitive contracting. Moreover, PBGC awarded a new contract to assist with the acquisition with the same terms as a previously awarded contract. Processing this award contributed to delays and resulted in $447,780 in funds that could have been put to better use. And the initial FFP IDIQ task orders awarded to the five contractors had poorly defined requirements and different volumes of work for the same price.

We also found that PBGC's actuarial support services contracts did not have adequate safeguards to ensure the timeliness and quality of actuarial contractors' work – work that is critical to paying benefits timely and accurately. The new contracts each contained different timeliness measures and did not have performance measures for the accuracy of contractors' calculations of benefits and related liabilities; this may lead to additional costs from contractors' time spent correcting errors under LH and T&M task orders. As of March 1, 2021, PBGC obligated $57.3 million on LH and T&M task orders, which represents 70% of the total spending under the IDIQ task orders and highlights the importance of adequate performance standards to reduce the costs of correcting errors.

PBGC agreed with our five recommendations to improve the timeliness of acquisition planning and to improve performance measures in contracts. Among other things, we recommended that PBGC develop a process to determine when it should begin acquisition planning for existing contracts and develop a process to assess whether new contracts for procurement support do not contain duplicative requirements of an existing contract.

On-Going Performance Audits and Related Work

Evaluation of PBGC's Missing Participant Program

(Project No. EV-21-154, announced February 11, 2021)
https://oig.pbgc.gov/pdfs/Ann_EV-21-154.pdf

Our objective of this on-going review is to determine the effectiveness of PBGC's Missing Participants Program (MPP) in locating missing participants.

The MPP was created by the Retirement Protection Act of 1994 to provide a way to distribute plan benefits to participants and beneficiaries who cannot be located by plans in a standard termination. Congress gave PBGC authority to broaden the MPP under the Pension Protection Act of 2006 (PPA). Through regulation, the Corporation expanded the program to other terminating plans not otherwise covered under PBGC's pension insurance program, including defined-contribution plans and small professional defined-benefit plans. The PPA also extended the MPP to include missing participants in multiemployer plans whose plan sponsors terminate and close out the plan.

Through our discussions with PBGC officials, our evaluation team identified the operational processes and history of the MPP. From walkthroughs, we gained an understanding of those processes, as well as systems and tools used by MPP staff. We created flowcharts to capture different processes within the MPP and confirmed the accuracy of the flowcharts with PBGC officials.

We reviewed information related to the MPP, including the contract award for field office support services, the contract award for the commercial locator tool used to search for missing persons, MPP staff performance plans, and the memorandum of understanding between PBGC and the Department of Labor's Employee Benefits Security Administration (EBSA) aimed at finding missing participants of plans trusteed by PBGC. Additionally, we reviewed PBGC best practice cases for locating missing participants. We interviewed MPP staff (federal employees and contractors) from various functions of the program, professionals familiar with locating missing persons and/or PBGC's MPP (including officials in PBGC's Office of the Participant and Plan Sponsor Advocate), and EBSA officials to discuss the Memorandum of Understanding with PBGC. We also collected and reviewed MPP data for over 87,000 missing participant records accumulated since the inception of the program.

We are currently writing our report, which is scheduled to be released in November 2021.

PBGC's Financial Statements for FY 2021 and Related Work

(Project No. FA-21-155, announced March 23, 2021)
https://oig.pbgc.gov/pdfs/Ann_FA-21-155.pdf

OIG has contracted with an independent public accounting firm, Ernst and Young Limited Liability Partnership (EY), to conduct the financial statements audit on our behalf, subject to OIG oversight. The Financial Statement Audit report will be issued on November 15, 2021. The purpose of this audit is to express an opinion as to whether the PBGC's financial statements are prepared in accordance with prescribed accounting principles and 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, including the related notes;
- Internal Control over financial reporting; and 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 Federal Information Security Modernization Act (FISMA); and
- IT Vulnerability Assessment and Penetration Testing.

PBGC's Compliance with Requirements of the Digital Accountability and Transparency Act of 2014 for Fiscal Years 2020 and 2021

(Project No. PA-21-156, announced March 17, 2021)
https://oig.pbgc.gov/pdfs/Ann_PA-21-156.pdf

The Data Act requires the disclosure of direct federal agency expenditures, and linking federal contract, loan, and grant spending information of federal agencies to enable taxpayers and policymakers to track federal spending more effectively. The law also requires the establishment of government-wide data standards to provide consistent, reliable, researchable, and usable spending data on USASpending.gov.

The objectives of our audit were to assess the:

- completeness, accuracy, timeliness, and quality of financial and award data submitted for publication on USASpending.gov; and
- PBGC's implementation and use of the government-wide financial data standards established by OMB and the Department of the Treasury.

We analyzed PBGC's financial award data for FY2021's first quarter and found the Corporation incurred $1.7 billion in obligations. For that quarter, PBGC obligated $157.1 million in procurement contracts and multiemployer financial assistance loans.

We performed our audit fieldwork remotely from March through August 2021. We reviewed the initial submission of PBGC's data and assessed the agency's corrective actions, including the corrections made to the files after the initial submission. PBGC did not have COVID-19 outlays through FY2021's first quarter; therefore, we did not review this area.

We are currently writing our report, which is scheduled to be released in October 2021.

Evaluation of PBGC's Purchase Card Program

(Project No. EV-21-157, announced May 26, 2021)
https://oig.pbgc.gov/pdfs/Ann_EV-21-157.pdf

Our objective is to analyze the risks of illegal, improper, or erroneous purchases and payments associated with PBGC's purchase card program for FY2020 and to determine whether the Corporation's internal controls are sufficient to detect and prevent fraud, waste, and abuse. We obtained purchase card transactions from October FY2019 through June FY2021. Using this data, we tested:

- for anomalies, such as split purchases, by constructing a model to identify pairs of transactions that were transacted by the same cardholder, at the same merchant, and on the same date;
- whether cardholders exceeded their single day and 30-day purchase limits;
- for transactions where cardholders paid sales tax on purchases; and
- the effectiveness and efficiency of internal controls.

Finally, we analyzed:

- instances of lost or stolen accounts;
- transactions in which blocked Merchant Category Codes were used;
- purchases transacted outside of normal business hours; and
- Agency Program Coordinator files for completeness.

We are reviewing purchase card transaction documents along with designed controls over those transactions. We expect to issue this report in FY2022.

Risks of PBGC's Multiemployer Special Financial Assistance Fund

(Project No. SR-21-160, announced September 10, 2021)
https://oig.pbgc.gov/pdfs/Ann_SR-21-160.pdf

We have contracted with EY to perform the work on this project. Our objective is to review PBGC's assessment of risks, and responses to those risks, related to the implementation of the American Rescue Plan Act and to share potential risk mitigation considerations that other organizations in similar situations have used to reduce their residual risks.

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

(Project No. EV-21-161, announced September 15, 2021)
https://oig.pbgc.gov/pdfs/Ann_EV-21-161_002.pdf

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

Investigative Activities

Summary of Performance

Criminal Actions	Federal Prosecutors	State or Local Prosecutors
Indictments	0	0
Informations	1	0
Convictions	1	0
Sentencings	2	0

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

Debarments in Bribery Conspiracy Investigation

Due to the bribery conspiracy investigation that resulted in three defendants pleading guilty, including the former Procurement Department Director, PBGC's Office of General Counsel began debarment proceedings to prevent the defendants' ability to conduct business with the federal government. Effective May 13, 2021, the former Procurement Department Director, the government contracting firm's chief executive officer, and the contracting firm were debarred through May 21, 2030. Additionally, effective June 21, 2021, the chief operating officer was debarred through September 16, 2030. The debarments prevent the defendants and the contractor from contracting with any agency in the executive branch of the federal government. Generally, debarments do not exceed three years unless the debarring official determines that the circumstances warrant a longer period. The criminal investigation was conducted by the PBGC Office of Inspector General and the Federal Bureau of Investigation.

Connecticut Man Sentenced for Theft of Pension Benefits

On September 7, 2021, a 52-year-old Woodbury, Connecticut man was sentenced to 4 years' probation, ordered to pay restitution of $36,067.38 ($22,689.08 to the Social Security Administration and $13,378.30 to PBGC), 100 hours of community service, and a $100 Special Assessment. The defendant previously pleaded guilty on May 11, 2021, in the U.S. District Court, District of Connecticut to a one count information charging a violation of 18 U.S.C. § 641, Theft of Public Funds. The defendant's father received Retirement Insurance Benefits from the Social Security Administration (SSA) and a monthly pension benefit from PBGC. The defendant's father passed away in November 2015. The defendant admitted that, between

approximately December 2015 through and including April 2019, he knowingly used PBGC and SSA benefits intended for his deceased father. This investigation was conducted by the PBGC OIG and the SSA OIG. This case was initiated as a result of the deceased participant data matching project of the Investigations Division.

Pennsylvania Woman Sentenced for Theft of Government Funds

On May 17, 2021, a 70-year-old Philadelphia, Pennsylvania woman was sentenced to 3 years' probation, with the first 6 months in home confinement. She was also ordered to pay restitution of $135,513.60 ($133,914 to the SSA and $1,599.60 to PBGC), and a $100 Special Assessment. The defendant previously entered a guilty plea on February 4, 2021, to a charge of Theft of Public Funds in violation of 18 U.S.C. § 641. She was previously charged, via information, in the Eastern District of Pennsylvania, U.S. District Court on January 7, 2021. After the PBGC participant passed away in July 2011, beginning in or about August 2011, and continuing through in or about November 2019, the defendant knowingly converted, for her own use, PBGC and SSA benefits. This was a joint investigation between the PBGC OIG and SSA OIG.

Deceased Participants Program

We continued our efforts under the fraud detection/computer matching initiative to identify deceased participants in the single-employer and multiemployer programs. To date, we have identified 207 instances of improper payment or fraud relating to deceased participants in the single-employer and multiemployer programs and referred those cases to PBGC for coordination to terminate benefit payments and seek recoupment.

Senior Government Employee Substantiated Misconduct Investigations

During this reporting period, we did not complete any investigations involving a senior government employee[3] 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.

[3] "[A]n officer or employee in the executive branch (including a special Government employee as defined in section 202 of title 18, United States Code) who occupies a position classified at or above GS–15 of the General Schedule or, in the case of positions not under the General Schedule, for which the rate of basic pay is equal to or greater than 120 percent of the minimum rate of basic pay payable for GS–15 of the General Schedule[.]" 5 U.S.C. App. 3, § 5(f)(7).

Outstanding Management Comment and Unimplemented Recommendations

There were no audit, inspection, or evaluation reports issued: (1) for which no management comment was returned within 60 days of being provided with the report and (2) for which there were outstanding unimplemented recommendations.

Management Decisions

There were no significant revised management decisions and no management decisions of a material nature with which we did not agree.

Compliance with Federal Financial Management Improvement Act

PBGC is in compliance with the Federal Financial Management Improvement Act.

Review of Proposed Statutory and Regulatory Changes

Under the IG Act, the OIG is responsible for reviewing PBGC 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.

Peer Review

Inspections and Evaluations: As adopted and approved by the majority of the CIGIE membership, OIGs with an Inspection and Evaluation (I&E) organization that conducts I&Es in accordance with the Blue Book must undergo an external peer review every three years. The PBGC OIG underwent a review for the period ending June 30, 2020. The review was led by AmeriCorps OIG. The review team assessed the extent to which the PBGC OIG met the seven CIGIE Quality Standards for Inspection and Evaluation. This assessment included a review of PBGC OIG's policies and procedures. The review team also analyzed three I&E reports issued between July 1, 2019, and June 30, 2020, to determine whether the reports complied with the covered Blue Book standards and PBGC OIG internal policies and procedures. The review team determined the PBGC OIG policies and procedures and the 3 reports reviewed generally met the 7 Blue Book standards. There are no outstanding recommendations from the review. The peer review report is posted on our website at https://oig.pbgc.gov/reviews.html.

Audit: *Generally Accepted Government Auditing Standards* require each audit organization to obtain an external review of its system of quality control every three years and make the results

publicly available. Our most recent peer review by the Securities and Exchange Commission (SEC) OIG was completed on January 31, 2019. The SEC OIG issued a report of its External Peer Review of our audit organization and opined that our system of quality control for the year ending September 30, 2018, had been "suitably designed and complied with to provide our office with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects." Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. We received an External Peer Review rating of *pass*. There are no outstanding recommendations from this review. A copy of this peer review is on our website at https://oig.pbgc.gov/pdfs/PeerReview.pdf

The Nuclear Regulatory Commission OIG is currently conducting a peer review of our audit organization. The review covers the period from October 1, 2018 to September 30, 2021. We will include the results of the review in our Spring 2022 Semiannual report.

Investigations: During this period, there were no peer reviews of our Investigations Division. Further, the Investigations Division did not conduct an external peer review or issue a report on an external peer review.

Restricted Access Audit, Inspection or Evaluation Reports

With limited exceptions, we post all audit, inspection, and evaluation reports on our website within three days of issuing the final report to PBGC. We generally do not provide or post on our website the full text of reports that would disclose specific vulnerabilities that could be exploited; typically, such reports are IT-related.

We use restricted disclosure and other non-public audit, inspection, or evaluation reports to disclose 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 did not post a restricted access audit, inspection, or evaluation report.

APPENDICES

Cross-Reference to Reporting Requirements of the Inspector General Act

Inspector General Act Reference	Reporting Requirements	Page(s)
Section 4(a)(2)	Review of legislation and regulations.	30
Section 5(a)(1)	Significant problems, abuses, and deficiencies.	14-26
Section 5(a)(2)	Recommendations with respect to significant problems, abuses, and deficiencies.	14-26
Section 5(a)(3)	Prior significant recommendations on which corrective action has not been completed.	37
Section 5(a)(4)	Matters referred to prosecutorial authorities.	27-28, 35-36
Section 5(a)(5)	Summary of instances in which information was refused.	29
Section 5(a)(6)	List of audit reports by subject matter, showing dollar value of questioned costs and recommendations that funds be put to better use.	38
Section 5(a)(7)	Summary of each particularly significant report.	9-10, 21-26, 31
Section 5(a)(8)	Statistical table showing number of reports and dollar value of questioned costs.	38
Section 5(a)(9)	Statistical table showing number of reports and dollar value of recommendations that funds be put to better use.	38
Section 5(a)(10)	Summaries of each audit, inspection, and evaluation report issued: (1) for which no management comment was returned within 60 days of being provided with the report and (2) for which there are outstanding unimplemented recommendations, including the aggregate potential cost savings of those recommendations.	30
Section 5(a)(11)	Significant revised management decisions.	30
Section 5(a)(12)	Significant management decisions with which the Inspector General disagrees.	30
Section 5(a)(13)	Compliance with Federal Financial Management Improvement Act.	30
Section 5(a)(14)	Results of peer review.	30-31
Section 5(a)(15)	Outstanding recommendations from any peer review conducted by another OIG.	30-31
Section 5(a)(16)	Any peer reviews performed by another OIG.	30-31

Section 5(a)(17)	Statistical table showing, during that reporting period, the: • Number of investigative reports issued, • Number of persons referred to Department of Justice for criminal prosecution, • Number of persons referred to state and local authorities for criminal prosecution, and • Number of criminal indictments and criminal informations resulting from any prior referrals to prosecutive authorities.	27, 35-36
Section 5(a)(18)	A description of the metrics used to develop the data for the statistical tables in (a)(17).	36
Section 5(a)(19)	A detailed description of each investigation involving a senior Government employee where allegations of misconduct were substantiated, including: • A detailed description of the facts and circumstances of the investigation; and • A detailed description of the status and disposition of the matter, including, if referred to Department of Justice (DOJ), the date of referral and, if declined by DOJ, the date of declination.	29
Section 5(a)(21)	A detailed description of any attempt by the establishment to interfere with the independence of the OIG, including: • with budget constraints designed to limit OIG capabilities; and • incidents where the establishment has resisted OIG oversight or delayed OIG access to information, including the justification of the establishment for such action.	29
Section 5(a)(22)	A detailed description of the particular circumstances of each: • inspection, evaluation, and audit conducted by the OIG that is closed and was not publicly disclosed, and • investigation conducted by the OIG involving a senior Government employee that is closed and was not disclosed to the public.	29, 31, 39

Statistical Summary of Audit and Investigative Activities

For the Six-Month Period Ending September 30, 2021

Audits/Inspections/Evaluations Issued	
Number of Reports	**2**
Number of Recommendations	**5**

Special Reports Issued	
Number of Reports	**0**
Number of Recommendations	**0**

Investigative Reports Issued	
Number of Reports	**0**
Number of Recommendations	**0**

Open Recommendations	
Open Recommendations Beginning of Period	**68**
Opened This Period	**5**
Closed This Period	**11**
Open Recommendations End of Period	**62**
Reports with Open Recommendations End of Period	**18**

Investigative Workload	
Investigations Opened	**78**
Investigations Closed	**60**

Persons Referred for Prosecution	Federal Prosecutions	State or Local Prosecutions
Presented	**4**	**1**
Accepted	**2**	**1**
Declined	**1**	**0**

Criminal Actions	Federal Prosecutions	State or Local Prosecutions
Indictments	**0**	**0**
Informations	**1**	**0**
Criminal Complaints	**0**	**0**
Convictions	**1**	**0**
Nolo Contenderes	**0**	**0**
Sentencings	**2**	**0**

Financial Recoveries	Federal Prosecutions	State or Local Prosecutions
Court Ordered Fines, Penalties, and Restitution	**$14,977.90**	**$0**
Administrative Recoveries	**$0**	**$0**

Administrative Actions	
Debarments	**4**

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 contenderes, 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, 2021

Report Number, Report Title, and Date Issued	Number of Significant Recommendations	Significant Problems and Deficiencies	Summary of Significant Recommendations
2020-02/FA-19-137-1 Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2019 and 2018 Financial Statements 11/15/2019	1	Controls Over Actuarial Estimates.	Perform an experience study to assess reasonableness of multiemployer contingent liability, as well as an analysis of all multiemployer plans exceeding the 10-year Date of Insolvency (DOI), and other possible classified plans, and update/develop documentation practices for DOI insolvency criteria.
2021-02/FA-20-148-1 Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2020 and 2019 Financial Statements 12/09/2020	4	Actuarial Liability Estimates	Additional work and/or documentation needed for certain actuarial assumptions.
2021-02/FA-20-148-1 Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2020 and 2019 Financial Statements 12/09/2020	6	Information Systems – Segregation of Duties	Improved controls needed around role assignments to ensure segregation of duties.

Results of Reports Issued

For the Six-Month Period Ending September 30, 2021

Results	Number of Reports	Questioned Costs	Unsupported Costs	Funds Put to Better Use
A. For which no management decision had been made by the commencement of the reporting period.	0	$0	$0	$0
B. Which were issued during the reporting period.	2	$0	$0	$447,780
PBGC Needs to Strengthen Acquisition Planning for Actuarial Support Services.		$0	$0	$447,780
PBGC's FY 2020 Compliance with the Payment Integrity Information Act of 2019.		$0	$0	$0
Total (Add A. & B.)	2	$0	$0	$447,780
C. For which a management decision was made during the reporting period.	2			
(i) Dollar value of disallowed costs.		$0	$0	$0
(ii) Dollar value of costs not disallowed.		$0	$0	$0
(iii) Dollar value of Funds Put to Better Use agreed to.		$0	$0	$447,780
(iv) Dollar value of Funds Put to Better Use 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, 2021

	Recommendation Number	Date Issued	Report Title and Recommendation
1	2015-09-15 (prior FISMA-14-15)	5/6/2015	**Fiscal Year 2014 Federal Information Security Management Act Final Report.** Develop, document, and implement a process for the timely assessment of employees and contractors transferred or promoted to a new position or role to determine whether the risk-level has changed**.**
2	2016-01-04 (prior OIT-154R)	12/11/2015	**Fiscal Year 2015 Vulnerability Assessment and Penetration Testing Report. (RESTRICTED DISCLOSURE)** Recommendation text omitted to protect against exploitation of vulnerability; report is restricted disclosure.
3	2017-06-03 (prior BD-04)	2/2/2017	**Fiscal Year 2016 Financial Statement Audit Management Letter Report.** Draft and submit for OMB approval funds control regulations that incorporate the required elements as described in OMB A-11, Appendix H.
4	2017-06-04 (prior BD-05)	2/2/2017	**Fiscal Year 2016 Financial Statement Audit Management Letter Report.** Develop and maintain a log to record and monitor all realignment of funds requests entered into the Consolidated Financial System (CFS) by other departments. The log should be reviewed and reconciled to the realignment of funds requests entered into CFS.
5	2017-06-05 (prior BD-06)	2/2/2017	**Fiscal Year 2016 Financial Statement Audit Management Letter Report.** Develop a procedures manual detailing the process for processing and authorizing realignment of funds requests. The procedures manual should be reviewed and approved by the Budget Director.
6	2017-08-03 (prior OIT-159R)	2/22/2017	**Fiscal Year 2016 Vulnerability Assessment and Penetration Testing Report. (RESTRICTED DISCLOSURE)** Recommendation text omitted to protect exploitation of vulnerability; report is restricted disclosure.
7	2018-06-05 (prior FS-17-05)	11/17/2017	**Report on Internal Controls Related to the Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2017 and 2016 Financial Statements**. OBA should document enhanced account management procedures to ensure a thorough review of accounts is performed during the annual account recertification and that necessary accounts are recertified and implement compensating controls to verify inactive accounts are deactivated in accordance with PBGC policy.
8	2018-07-04 (prior FISMA-17-04)	12/20/2017	**Fiscal Year 2017 Federal Information Security Modernization Act Independent Evaluation Report.** PBGC should implement effective processes and procedures to ensure the secure configuration of web servers in accordance with the established configuration

			baselines and document deviations to the established baselines on an as needed basis.
9	2019-11-01 (prior OMA-09)	7/2/2019	**PBGC's Use of the Women-Owned Small Business Federal Contracting Program.** Assess the organizational alignment of the Office of Small and Disadvantaged Business Utilization Director within the Corporation, taking into consideration the importance of the federal government's philosophy of small business contract programs and the requirements of the Small Business Act.
10	2019-14-02 (prior OIT-174)	9/27/2019	**PBGC's Property Management Program.** Perform a risk assessment on assets not located during the annual inventory and follow-up on assets that are deemed high-risk.
11	2020-02-05 (prior FS-19-05)	11/15/2019	**Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2019 and 2018 Financial Statements.** Develop and/or update management's documentation for current practices followed for review and monitoring of the multiemployer DOI criteria.
12	2020-02-10 (prior FS-19-10)	11/15/2019	**Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2019 and 2018 Financial Statements.** OBA should obtain confirmation of access to server or, in the event the access list cannot be shared, PBGC will pursue viable alternatives to include moving PBGC data to a separate server within the paying agent's data center.
13	2020-02-11 (prior FS-19-11)	11/15/2019	**Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2019 and 2018 Financial Statements.** Conduct an account recertification of Linux users and groups with access to PBGC PLUS data to verify that only authorized users have access, and the privileges are appropriate.
14	2020-05-01 (prior FISMA-19-01)	12/20/2019	**Pension Benefit Guaranty Corporation's Fiscal Year 2019 Compliance with the Federal Information Security Modernization Act of 2014**. Maintain a valid agreement for all inter-connections, and ensure that agreements are updated as necessary, reviewed annually, and re-issued prior to or upon expiration or upon a major change to ensure appropriate security and privacy controls are implemented.
15	2020-05-02 (prior FISMA-19-02)	12/20/2019	**Pension Benefit Guaranty Corporation's Fiscal Year 2019 Compliance with the Federal Information Security Modernization Act of 2014.** Improve processes and implement oversight to ensure timeliness of background investigations to be completed for federal employees and contractors.
16	2020-05-03 (prior FISMA-19-03)	12/20/2019	**Pension Benefit Guaranty Corporation's Fiscal Year 2019 Compliance with the Federal Information Security Modernization Act of 2014.** Update directives, policies, and procedures to reflect current personnel security processes for the timely processing of background investigations.
17	2020-08-01	3/20/2020	**PBGC's Agreed Upon Procedures for Contract Closeouts.** Review the status of the 30 contracts included in the Agreed Upon Procedures and determine if any can be closed and what closeout work remains. Close contracts

			that meet the requirements and develop a closure plan for the remaining contracts.
18	2020-08-05	3/20/2020	**PBGC's Agreed Upon Procedures for Contract Closeouts.** Improve controls and oversight processes to ensure only qualified contracts have closeout audits initiated, including contractor status of final vouchers.
19	2020-08-06	3/20/2020	**PBGC's Agreed Upon Procedures for Contract Closeouts.** Develop and implement a follow-up process to ensure prompt handling of audit findings prior to contract closeout, including tracking of findings from internal audit reports.
20	2020-11-01	9/23/2020	**PBGC Needs to Improve Incentive Contracting Practices.** Review and update existing agency guidance on incentive contracting practices to ensure the use of award fee contracts are planned and awarded in accordance with current regulations, and the guidance addresses the concerns of the OMB memorandum of December 2007.
21	2020-11-02	9/23/2020	**PBGC Needs to Improve Incentive Contracting Practices.** For the on-going Contract #16PBGC20D0002, jointly with the Office of Information Technology, evaluate CPAF contract requirements and determine if any should be converted to firm-fixed-priced task orders.
22	2020-11-04	9/23/2020	**PBGC Needs to Improve Incentive Contracting Practices.** Provide refresher training for COs and CORs to ensure correct billing to the CLIN.
23	2020-11-05	9/23/2020	**PBGC Needs to Improve Incentive Contracting Practices**. Verify all key personnel meet the contractor's proposal requirements and secure waivers if exceptions are granted.
24	2020-11-06	9/23/2020	**PBGC Needs to Improve Incentive Contracting Practices**. Take required actions for the Direct Labor questioned costs of $175,839 on Contract #PBGC01-D-15-9001.
25	2020-11-07	9/23/2020	**PBGC Needs to Improve Incentive Contracting Practices**. Improve controls to ensure contract files are properly safeguarded and maintained as required by the FAR and internal procedures.
26	2021-01-02	12/08/2020	**Internal Controls Must Be Strengthened to Promote Procurement Integrity.** Develop and implement a mechanism in an electronic system to ensure that contract actions that require legal reviews according to PBGC policy receive these reviews and that disagreements with legal sufficiency comments are communicated to OGC.
27	2021-02-01	12/09/2020	**Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2020 and 2019 Financial Statements.** Conduct an experience study for PVFB and PVNRFFA expected retirement age vs. actual retirement age, as well as an experience study for the PVNRFFA withdrawal

			liability payment collectability and administrative expenses assumption.
28	2021-02-02	12/09/2020	**Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2020 and 2019 Financial Statements.** Conduct sensitivity analyses over PVNRFFA administrative expenses and over PVFB and PVNRFFA expected retirement age assumptions.
29	2021-02-03	12/09/2020	**Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2020 and 2019 Financial Statements.** Document rationale for and/or update the PVFB non-seriatim: percent male and smoothing adjustment for benefit projections assumptions.
30	2021-02-04	12/09/2020	**Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2020 and 2019 Financial Statements.** Document rationale for and/or update the following assumptions and methods; for PVNRFFA: sub-case count, sub-case attained age, sub-case liability distribution, expected retirement age, expected contribution, normal cost projection and new entrants, administrative expenses, percent male, assent blend and expected return on assets.
31	2021-02-05	12/09/2020	**Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2020 and 2019 Financial Statements.** Develop and update segregation of duty matrices to reflect the risk of multiple role assignments based on the current business operations of PBGC within the IT systems supporting the financial reporting environment.
32	2021-02-06	12/09/2020	**Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2020 and 2019 Financial Statements**. Review existing role assignments based on updated segregation of duty matrices for existing conflicts and remediate them as appropriate.
33	2021-02-07	12/09/2020	**Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2020 and 2019 Financial Statements.** Implement application monitoring controls to mitigate risk associated with required role assignments that violate separation of duty requirements.
34	2021-02-08	12/09/2020	**Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2020 and 2019 Financial Statements**. Implement preventative mechanisms within their enterprise account management provisioning process to restrict the ability to assign conflicting roles without elevated approvals.
35	2021-02-09	12/09/2020	**Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2020 and 2019 Financial Statements.** Ensure the enterprise account management solution is synchronized with application roles assigned within the IT systems supporting the financial reporting environment.
36	2021-02-10	12/09/2020	**Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2020 and 2019 Financial Statements.** Increase the frequency of the periodic review of users with known separation of duties violation to determine management concurrence with the appropriateness of the access and their risk acceptance.
37	2021-05-01	1/21/2021	**Pension Benefit Guaranty Corporation's Implementation of the Federal Information Security Modernization Act of 2014 for FY 2020.**

			PBGC should develop and implement a management plan to address supply chain risks with respect to information systems and system components. Further, PBGC should educate the acquisition workforce on threats, risk and required security controls for acquired information technology (IT) components.
38	2021-05-02	1/21/2021	**Pension Benefit Guaranty Corporation's Implementation of the Federal Information Security Modernization Act of 2014 for FY 2020**. Harden the affected servers' cipher suites to avoid the use of weak ciphers and RC4 ciphers, in accordance with the vendor's security leading practices.
39	2021-05-03	1/21/2021	**Pension Benefit Guaranty Corporation's Implementation of the Federal Information Security Modernization Act of 2014 for FY 2020**. Consider sanitizing the .txt file to not include any sensitive directories or files using the disallow directive. If possible, replace the use of the .txt file with the robots meta tag on specific pages that should be excluded from search engine indices.
40	2021-05-04	1/21/2021	**Pension Benefit Guaranty Corporation's Implementation of the Federal Information Security Modernization Act of 2014 for FY 2020**. PBGC management should correct the deficiencies in their vulnerability reporting and tracking process to identify source machine/IP and plug-in IDs for critical vulnerabilities with their original report date versus relying upon the first report date identified in their vulnerability tracking report.
41	2021-05-05	1/21/2021	**Pension Benefit Guaranty Corporation's Implementation of the Federal Information Security Modernization Act of 2014 for FY 2020.** PBGC should implement a modification to the PBGC access termination process to identify those separated employees and contractors who accessed their logical account or physically accessed PBGC facilities after their termination date. Further, once an instance has been identified, PBGC should investigate this inappropriate access for reasonableness and capture details as a potential security incident.
42	2021-05-06	1/21/2021	**Pension Benefit Guaranty Corporation's Implementation of the Federal Information Security Modernization Act of 2014 for FY 2020.** PBGC should undertake efforts to train the user base on the level of detail required to gain access to CyberArk. Specifically, management should conduct a reasonable review of this activity against approved tickets or other documented, authorized procedures.
43	2021-05-07	1/21/2021	**Pension Benefit Guaranty Corporation's Implementation of the Federal Information Security Modernization Act of 2014 for FY 2020**. PBGC should conduct an analysis to determine if the current PBGC internal network monitoring capabilities are sufficient to fully support their insider threat program, specifically around the monitoring and disclosure of personally identifiable information (PII) and sensitive

			banking information. Where appropriate, PBGC should deploy additional toolsets to monitor internal transmissions of PII and sensitive banking information for insider threat behavior analytic modeling.
44	2021-05-08	1/21/2021	**Pension Benefit Guaranty Corporation's Implementation of the Federal Information Security Modernization Act of 2014 for FY 2020**. With the adoption of NIST 800-53 rev5, PBGC should conduct a risk assessment to consider the inclusion of the AU-13 optional control requirements for monitoring information disclosures by internal employees.
45	2021-05-09	1/21/2021	**Pension Benefit Guaranty Corporation's Implementation of the Federal Information Security Modernization Act of 2014 for FY 2020**. PBGC should conduct a Data Breach tabletop exercise, as well as monitor and analyze qualitative and quantitative performance measures on the effectiveness of its exercise.
46	2021-05-10	1/21/2021	**Pension Benefit Guaranty Corporation's Implementation of the Federal Information Security Modernization Act of 2014 for FY 2020**. PBGC should utilize the Workforce Assessment Dashboard to determine how to fill gaps through the training or hiring of additional staff or contractors, as well as prepare an estimated timeline to fill this requirement.
47	2021-05-11	1/21/2021	**Pension Benefit Guaranty Corporation's Implementation of the Federal Information Security Modernization Act of 2014 for FY 2020.** PBGC should share the gaps in the Workforce Assessment Dashboard with hiring managers so they can understand the gaps and vet applicants who have the Knowledge, Skills, and Abilities (KSAs) to perform needed cybersecurity tasks.
48	2021-06-01	2/1/2021	**Fiscal Year 2020 Financial Statement Audit Management Letter Report.** Conduct an experience study over the spouse age difference for seriatim and phase out liability for unlocatable missing participant assumptions.
49	2021-06-02	2/1/2021	**Fiscal Year 2020 Financial Statement Audit Management Letter Report**. Document rationale for and/or update the seriatim marital status and smoothing adjustment for lump sum benefit projections assumptions.
50	2021-06-03	2/1/2021	**Fiscal Year 2020 Financial Statement Audit Management Letter Report**. PBGC should conduct an experience study over the default attained age assumption.
51	2021-06-04	2/1/2021	**Fiscal Year 2020 Financial Statement Audit Management Letter Report**. PBGC should conduct the appropriate analyses/research/studies to ensure the reasonableness of percentages and thresholds used for promotion and document the rationale behind these analyses.
52	2021-06-05	2/1/2021	**Fiscal Year 2020 Financial Statement Audit Management Letter Report.**

			PBGC should develop a schedule for continuous monitoring over thresholds used within key controls and provide details about the time and the frequency of this schedule.
53	2021-06-06	2/1/2021	**Fiscal Year 2020 Financial Statement Audit Management Letter Report**. EY recommends PBGC formally document the following for all controls that use thresholds as part of review procedures: The detail analysis performed to determine the reasonableness of thresholds applied as part of their review of higher-risk or material account balances and to document the continued assessment level of sensitivity and precision of these thresholds.
54	2021-06-07	2/1/2021	**Fiscal Year 2020 Financial Statement Audit Management Letter Report.** EY recommends the PBGC develop the following: Procedures to analyze or test the quality of participants' data from plans processed prior to the implementation of improved controls to ensure any historical errors or trends that may impact the PVFB liability amount are identified and resolved.
55	2021-06-08	2/1/2021	**Fiscal Year 2020 Financial Statement Audit Management Letter Report**. EY recommends that the Financial Operations Department (FOD) should formally document their rationale for critical alerts that need to be monitored. In addition, develop and implement a process to track, monitor and resolve critical alerts related to processing failures; specifically, FOD should complete the following: - Review their current listing of critical alerts and identify the criteria for each alert on when it needs to be escalated for closure (Days Outstanding, Impact of Failure, etc.) - Establish a formal frequency of review for each alert based on escalation requirements, with appropriate management review and sign-off. - Establish a formal documentation and resolution process for escalated alerts.
56	2021-06-09	2/1/2021	**Fiscal Year 2020 Financial Statement Audit Management Letter Report.** EY recommends that PBGC management should correct the identified deficiency in their Death Master File process programming logic and deploy the modification to the production environment. In the interim, PBGC should conduct subsequent monitoring to ensure individuals who are both on the stop payment log and the Death Match file are in the correct payee status.
57	2021-07-04	3/2/2021	**PBGC Can Improve the Effectiveness of the ERM Program**. Update Directive GA-15-01 in accordance with the current standards and requirements.
58	2021-09-01	6/4/2021	**PBGC Needs to Strengthen Acquisition Planning for Actuarial Support Services**. Develop and implement a tracking process for existing contracts to determine when to initiate acquisition planning, based on factors such as complexity, major changes to

			existing contracts, new requirements, RFIs, and new contracts for acquisition planning support.
59	2021-09-02	6/4/2021	**PBGC Needs to Strengthen Acquisition Planning for Actuarial Support Services.** Develop and implement a mediation or escalation process to resolve disagreements during the acquisition planning process.
60	2021-09-03	6/4/2021	**PBGC Needs to Strengthen Acquisition Planning for Actuarial Support Services**. Develop and implement a process for proposed procurement support contracts to assess whether the proposed contract is duplicative of PD's capacity, program office expertise, or existing procurement support contracts.
61	2021-09-04	6/4/2021	**PBGC Needs to Strengthen Acquisition Planning for Actuarial Support Services**. Develop and implement a process during acquisition planning to identify performance areas in need of measurable performance standards for contractors and any existing processes that could be incorporated into the contracts to measure performance.
62	2021-09-05	6/4/2021	**PBGC Needs to Strengthen Acquisition Planning for Actuarial Support Services.** Develop guidance for reviewing and revising QASPs proposed by offerors.

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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,
dial FRS (800) 877-8339
and give the Hotline number to the relay operator.

Web:
https://oig.pbgc.gov/hotline.html

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