



Pension Benefit Guaranty Corporation
1200 K Street, N.W., Washington, D.C. 20005-4026

December 3, 2020

To: Nick Novak
Acting Inspector General

From: Gordon Hartogensis
Director

Subject: Response to OIG's Draft Audit Report—Procurement Practices

Thank you for the opportunity to comment on the Office of Inspector General's (OIG) draft Procurement Practices report, received November 27, 2020. I appreciate your office making my February 27, 2020 memorandum, "Request for Inquiry Into PBGC Procurement Activities," a high priority.

I commend OIG's efforts to identify weaknesses, vulnerabilities, or systemic issues that may have facilitated or allowed illegal Procurement Department contract steering to occur. Additionally, your investigation into our Procurement Department and its oversight for other contracting improprieties or illegal activities is critical to restoring the legal, trusted, and effective execution of PBGC procurement activities.

Fraud, abuse, and any other illegal and unethical behaviors or actions have no place in federal government operations. They are unacceptable in any case—but especially when they involve the hard-earned dollars of the workers and retirees PBGC protects. I am committed to ensuring the agency's employees and contractors operate responsibly, transparently, ethically, and in accordance with the law. PBGC's Board of Directors has also emphasized the importance of identifying any wrongdoing, strengthening controls, and promoting recommended measures to prevent future misconduct.

PBGC management concurs with your findings and recommendations on internal controls and we are fully committed to addressing the issues noted in this report. To date, we have already revised acquisition procedures put in place for the Procurement Department. Effective February 14, 2020, the agency changed the thresholds for the Office of General Counsel (OGC) review of procurement actions. The following actions must now be sent to OGC for review: all contracts exceeding the micro-purchase threshold of \$10,000 (prior threshold was \$200,000); and all contract modifications, with the exception of \$0 modifications and straightforward option exercises that do not make any other changes to the original contract. Additionally, I have directed the Office of Management and Administration and the OGC to develop a priority action

plan for my approval that addresses your report's recommendations in order to restore complete confidence in future PBCG procurement practices.

I value the OIG's role in improving PBGC's ability to carry out its critical mission. We will continue working with your office to uphold the high standards we have set for ourselves since my confirmation. Addressing these recommendations in a timely manner is an important priority for PBGC. More than 35 million American workers, retirees, and beneficiaries rely on our agency to protect their retirement security—and they deserve nothing less.

cc: Kristin Chapman, Chief of Staff
Alice Maroni, CMO
Patricia Kelly, CFO
Paul Chalmers, Acting GC
Frank Pace, Director, CCRD