



PENSION BENEFIT GUARANTY CORPORATION

Semiannual Report to the Congress

Management's Response to the OIG Semiannual Report:

October 1, 2015 – March 31, 2016

PENSION BENEFIT GUARANTY CORPORATION

SEMIANNUAL REPORT TO THE CONGRESS

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

PBGC's Office of Inspector General (OIG), through its dedicated, independent work, is critical 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.

For more than 41 years now, PBGC has ensured that pension participants and beneficiaries receive timely, uninterrupted benefits.

To continue that record, we have placed great emphasis on internal controls. We are working to document compliance with the revisions to the Government Accountability Office's (GAO's) *Standards for Internal Control in the Federal Government*, which became effective for FY 2016. To strengthen accountability for internal controls, managers' performance plans now explicitly link the internal control environment to individual performance. PBGC's Internal Control Committee now meets monthly to oversee the implementation of improved controls across the agency. PBGC is fully committed to working cooperatively with the PBGC OIG on this key topic.

Working with our acting Risk Management Officer (RMO), we created a Risk Management Council and issued a Risk Management Charter. In addition, in gearing up to implement Enterprise Risk Management (ERM) at PBGC, we have performed benchmarking with other entities to learn about their practices. The appointment of a permanent RMO remains a top priority of management.

To provide you with more detail, Table 1 presents all of the recommendations in resolved audit reports over 12 months. I am pleased to report that PBGC closed more than 70 percent of the recommendations in these reports. The OIG did not identify any "disallowed costs" or "funds to be put to better use." Table 2 details OIG reports requiring final action.

In addition to our focus on internal controls to address the important issues raised by our OIG, I am keenly focused on addressing PBGC's high risks cited by GAO, as well as other noteworthy risks facing our programs.

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



W. Thomas Reeder
Director

Table 1

**Management Statement on Resolved Audit Reports Over Twelve Months Old
With Final Action Pending as of March 31, 2016**

Date Issued	Report No.	Title of Report	Status of Management Actions
11/15/2007	2008-02	Report on Internal Controls – PBGC’s FY 2007 and 2006 Financial Statement Audit	Of the 18 recommendations included in the report, 12 were closed. The remaining six recommendations remain in process.
11/12/2009	2010-02	Report on Internal Controls Related to the PBGC’s Fiscal Year 2009 and 2008 Financial Statement Audit	Of the 20 recommendations included in the report, 19 were closed. The remaining one recommendation remains in process.
11/16/2010	2011-01	Evaluation of PBGC’s Strategic Preparations for a Potential Workload Influx	Of the five recommendations included in the report, four were closed. The remaining one recommendation remains in process.
11/14/2011	2012-02	Report on Internal Controls Related to the Pension Benefit Guaranty Corporation’s FY 2011 and 2010 Financial Statement Audit	Of the 17 recommendations included in this report, 14 were closed. The remaining three recommendations remain in process.
11/30/2011	2012-05	PBGC’s Processing of Terminated United Airlines Pension Plans was Seriously Flawed	Of the 15 recommendations included in the report, 12 were closed. Of the remaining three recommendations, one was submitted to the OIG for closure after the reporting period and two remain in process.
5/11/2012	2012-09	FY 2011 FISMA Audit	Of the six recommendations included in the report, five were closed. The remaining one recommendation remains in process.

Table 1

**Management Statement on Resolved Audit Reports Over Twelve Months Old
With Final Action Pending as of March 31, 2016**

Date Issued	Report No.	Title of Report	Status of Management Actions
11/5/2012	2013-02	Report on Internal Controls Related to the Pension Benefit Guaranty Corporation's FY 2012 and 2011 Financial Statement Audit	Of the five recommendations included in the report, four were closed. The remaining one recommendation remains in process.
5/16/2013	2013-07	FY 2012 Vulnerability Assessment and Penetration Testing Report	Of the five recommendations included in the report, two were closed. The remaining three recommendations remain in process.
5/14/2013	2013-08	Fiscal Year 2012 Financial Statement Management Letter	Of the ten recommendations included in the report, nine were closed. The remaining one recommendation remains in process.
11/15/2013	2014-03	Report on Internal Controls Related to the Pension Benefit Guaranty Corporation's FY 2012 and 2013 Financial Statement Audit	Of the seven recommendations included in the report, five were closed. The remaining two recommendations remain in process.
1/9/2014	2014-06	FY 2013 Vulnerability Assessment and Penetration Testing Report	Of the seven recommendations included in the report, five were closed. The remaining two recommendations remain in process.
3/21/2014	2014-08	FY 2013 Increased Oversight, Internal Controls and Performance Accountability	Of the eight recommendations included in the report, seven were closed. The remaining one recommendation remains in process.

Table 1

**Management Statement on Resolved Audit Reports Over Twelve Months Old
With Final Action Pending as of March 31, 2016**

Date Issued	Report No.	Title of Report	Status of Management Actions
3/21/2014	2014-09	FY 2013 FISMA Audit	Of the 18 recommendations included in the report, 12 were closed. Of the remaining six recommendations, one has been submitted for closure to the OIG and five remain in process.
9/30/2014	2014-10	PBGC's Incentives and Compensation Flexibilities Program to Recruit and Retain Qualified Workforce	Of the four recommendations included in the report, all four were submitted to the OIG for closure after the reporting period.
11/14/2014	2015-03	Audit of PBGC's Fiscal Year 2014 Internal Controls Report	Of the 41 recommendations included in the report, 27 were closed. Of the remaining 14 recommendations, three have been submitted for closure to the OIG and 12 remain in process.
1/30/2015	2015-05	PBGC Compliance with MAP-21 Still a Work in Progress	Of the nine recommendations included in the report, two were closed. Of the remaining seven recommendations, one has been submitted for closure to the OIG and six remain in process.
2/27/2015	2015-06	Fiscal Year 2014 Financial Statement Audit Management Letter	Of the 12 recommendations included in the report, eight were closed. Of the remaining four recommendations, two were submitted to the OIG for closure after the reporting period. Work is in progress on the remaining two recommendations.
3/30/2015	2015-07	Fiscal Year 2014 Vulnerability Assessment and Penetration Testing Report	Of the 14 recommendations included in the report, 11 were closed. The remaining three recommendations remain in process.

Table 2

**Management Statement on OIG Reports Requiring Final Action For the
Period Ending March 31, 2016**

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.	29	\$ -	\$ -
B. For which management decisions were made during the reporting period.	6	\$ -	\$ -
For which final action had been taken by the end of the reporting period, including--- i. dollar value of disallowed costs that were recovered by management ii. dollar value disallowed costs that were written off by management iii. dollar value of recommendations that were actually completed iv. dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed No. of reports for which final action was taken during the period.	10	\$ -	\$ -
D. For which no final action has been made by the end of the reporting period.	25	\$ -	\$ -