



# PENSION BENEFIT GUARANTY CORPORATION

## Semiannual Report to the Congress

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Management's Response to the OIG Semiannual Report:

April 1, 2015 – September 30, 2015

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Office of the Director

## PENSION BENEFIT GUARANTY CORPORATION

### SEMIANNUAL REPORT TO THE CONGRESS

The Pension Benefit Guaranty Corporation (PBGC), 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, and we have made considerable progress in implementing corrective actions.

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

To continue that record, PBGC has placed great emphasis on internal controls. During the reporting period, we held internal control training for managers to support compliance with the Office of Management and Budget's (OMB's) Circular A-123, *Management's Responsibility for Internal Control*. To strengthen accountability for internal controls, managers' performance plans now explicitly link the internal control environment to individual performance. Moreover, PBGC's Internal Control Committee met repeatedly to oversee the implementation of improved controls in our 12 business cycles. PBGC is fully committed to working cooperatively with the PBGC OIG on this key topic.

Table 1, below, presents all of the recommendations in resolved audit reports over 12 months. I am pleased to report that PBGC closed more than 75 percent of the recommendations in these reports, with another 14 percent submitted for OIG review. The OIG did not identify any "disallowed costs" or "funds to be put to better use." Table 2 details OIG reports requiring final action.

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 the Government Accountability Office (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 September 30, 2015**

<b>Date Issued</b>	<b>Report No.</b>	<b>Title of Report</b>	<b>Status of Management Actions</b>
11/15/2004	2005-02	Audit of PBGC's FY 2004 and 2003 Financial Statements	Of the 21 recommendations included in the report, 20 were closed. The remaining one recommendation remains in process.
03/31/2005	2005-10	FY 2004 Financial Statement Audit – Management Letter	Of the 37 recommendations included in the report, 36 were closed. The remaining one recommendation has been submitted to the OIG for closure.
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, 11 were closed. Of the remaining seven recommendations, one has been submitted to the OIG for closure and six remain in process.
11/13/2008	2009-02	Report on Internal Controls Related to PBGC's FY 2008 and 2007 Financial Statements Audit	Of the six recommendations included in the report, four were closed as of the end of the reporting period. Subsequent to the reporting period, the remaining two recommendations were closed.
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, a total of 11 were closed, as of the end of the reporting period. Subsequent to the reporting period, an additional five recommendations were closed. Of the remaining four recommendations, one has been submitted to the OIG for closure and three remain in process.
02/23/2010	2010-04	FY 2009 Financial Statements Audit Management Letter	Of the 35 recommendations included in the report, 32 were closed. The remaining three recommendations have been submitted to the OIG for closure.

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With Final Action Pending as of September 30, 2015**

<b>Date Issued</b>	<b>Report No.</b>	<b>Title of Report</b>	<b>Status of Management Actions</b>
03/22/2010	2010-07	Federal Information Security Management Act (FISMA) Independent Evaluation Report for FY 2009	Of the 12 recommendations included in the report, 10 were closed. The remaining two recommendations have been submitted to the OIG for closure.
11/16/2010	2011-01	Evaluation of PBGC's Strategic Preparations for a Potential Workload Influx	Of the five recommendations included in the report, four were closed. The remaining one recommendation remains in process.
02/24/2011	2011-06	FY 2010 Financial Statement Audit – Management Letter	Of the 19 recommendations included in the report, 18 were closed. The remaining one recommendation has been submitted to the OIG for closure.
03/30/2011	2011-10	PBGC Plan Asset Audit of National Steel Pension Plans Was Seriously Flawed	Of the 12 recommendations contained in the report, 11 were closed as of the end of the reporting period. Subsequent to the reporting period, the remaining one recommendation was closed.
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, 13 were closed. Of the remaining four recommendations, one has been submitted to the OIG for closure, and one was returned by the OIG subsequent to the reporting period. The remaining two 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 in the report, 11 were closed. The remaining four recommendations remain in process.

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With Final Action Pending as of September 30, 2015**

<b>Date Issued</b>	<b>Report No.</b>	<b>Title of Report</b>	<b>Status of Management Actions</b>
5/11/2012	2012-09	FY 2011 FISMA Audit	Of the six recommendations contained in the report, five were closed. The remaining one recommendation remains in process.
11/5/2012	2013-02	Report on Internal Controls Related to the Pension Benefit Guaranty Corporation's FY 2012 and 2011 Financial Statement Audit	Of the five recommendations contained in the report, three were closed. Of the remaining two recommendations, one was closed subsequent to the period and the remaining one recommendation remains in process.
5/16/2013	2013-07	FY 2012 Vulnerability Assessment and Penetration Testing Report	Of the five recommendations contained in the report, two were submitted to the OIG for closure. The remaining three recommendations remain in process.
5/14/2013	2013-08	Fiscal Year 2012 Financial Statement Management Letter	Of the ten recommendations contained in the report, eight were closed. Of the remaining two recommendations, one has been submitted to the OIG for closure and one remains in process.
11/15/2013	2014-03	Report on Internal Controls Related to the Pension Benefit Guaranty Corporation's FY 2013 and 2012 Financial Statement Audit	Of the seven recommendations contained in the report, four have been closed. Of the remaining three recommendations, one has been submitted to the OIG for closure and two remain in process.
1/9/2014	2014-06	FY 2013 Vulnerability Assessment and Penetration Testing Report	Of the seven recommendations contained in the report, four have been closed. Of the remaining three recommendations, one has been submitted to the OIG for closure and two remain in process.

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**Management Statement on Resolved Audit Reports Over Twelve Months Old  
With Final Action Pending as of September 30, 2015**

<b>Date Issued</b>	<b>Report No.</b>	<b>Title of Report</b>	<b>Status of Management Actions</b>
1/31/2014	2014-07	FY 2013 Financial Statement Management Letter	Of the 14 recommendations contained in the report, 12 have been closed. Of the remaining two recommendations, one has been submitted to the OIG for closure and one remains in process.
3/21/2014	2014-08	Increased Oversight, Internal Controls and Performance Accountability Needed for PBGC's Monitoring, Enforcing and Modifying Negotiated Funding Agreements	Of the eight recommendations contained in the report, seven recommendations have been submitted to the OIG for closure and one remains in process.
3/21/2014	2014-09	FY 2013 FISMA Audit	Of the 18 recommendations contained in the report, three were closed as of the end of the reporting period. Subsequent to the reporting period, three recommendations were closed. Of the remaining 12 recommendations, seven have been submitted to the OIG for closure and five remain in process.
9/30/2014	2014-10	PBGC's Incentives and Compensation Flexibilities Program to Recruit and Retain Qualified Workforce Was Administered Inconsistently	Of the four recommendations contained in the report, all four remain in progress.

**Table 2**

**Management Statement on OIG Reports Requiring Final Action  
For the Period Ending September 30, 2015**

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.	30	\$ -	\$ -
B. For which management decisions were made during the reporting period.	3	\$ -	\$ -
For which final action had been taken by the end of the reporting period, including---		\$ -	\$ -
C.      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 not or could not be implemented or completed			
No. of reports for which final action was taken during the period.	4		
D. For which no final action has been made by the end of the reporting period.	29	\$ -	\$ -