



# PENSION BENEFIT GUARANTY CORPORATION

## Semiannual Report to Congress

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Management's Response to the OIG Semiannual Report:

April 1, 2020 to September 30, 2020

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Office of the Director

# PENSION BENEFIT GUARANTY CORPORATION

## SEMIANNUAL REPORT TO CONGRESS

The Pension Benefit Guaranty Corporation (PBGC) remains committed to enhancing the retirement security of over 35 million American workers, retirees, and beneficiaries. We are committed to ethically and effectively carrying out the agency's critical mission, as well as ensuring the agency's employees and contractors operate responsibly, transparently, and in accordance with the law. In support of efforts to aid our economic recovery and mitigate the effects of the coronavirus disease (COVID-19), we continue to take steps to ensure we are preserving plans and protecting pensioners, paying timely and accurate benefits, and maintaining high standards of stewardship and accountability.

Through its dedicated, independent work, PBGC's Office of Inspector General (OIG) is important to our continued success in serving the public. During this reporting period, PBGC worked diligently to address OIG's recommendations. We continue to focus on information security, modernization of PBGC's key benefits-related information technology systems, and the transparency and accountability of our professional services contracting, which the OIG has cited as management challenges. We also continue to promote PBGC's Insider Threat, Privacy and Security Reportal, which allows all PBGC staff to easily and anonymously report an insider threat, privacy, or security incident.

During this reporting period, OIG completed an investigation into a bribery scheme for improper actions that took place in 2015 and 2016. As a result of the investigation, Jeffrey Donahue, former PBGC Procurement Director, pled guilty to bribery, in May 2020, and was formally sentenced in September 2020. Acutely aware of the significance of the perpetrated fraud, I requested the Inspector General (IG) conduct a review of all procurement practices. PBGC's Board of Directors has also emphasized the importance of identifying any wrongdoing, strengthening controls, and promoting recommended measures to prevent future misconduct. While the IG's review is still ongoing, the criminal conduct warranted that management take an aggressive approach to improve controls around procurement practices to prevent any further improper behaviors. The OIG report is expected to be issued in December 2020. This issue remains of strong interest to me and the Board.

Over the last 46 years, PBGC has worked diligently to preserve plans, protect plan participants, and ensure participants in trusted plans and their beneficiaries receive timely, uninterrupted benefits. Last year, PBGC attained its 27th consecutive unmodified audit opinion and maintained, in all material respects, effective internal control over financial reporting.

Table 1 presents resolved audit reports issued prior to October 1, 2019, which contain recommendations that remain open. I am pleased to report that PBGC has closed more than 74 percent of the recommendations in these reports. Table 2 summarizes OIG reports requiring final action.

I remain keenly focused on the risks facing PBGC's two insurance programs, particularly with respect to the Multiemployer Insurance Program, which had a net position of negative \$65.2 billion at the end of fiscal year 2019 and has a very high likelihood of insolvency during fiscal year 2026. Both programs continue to be reported in the Government Accountability Office's High-Risk List.

Our ongoing work with Congress, the PBGC Board of Directors, and our OIG is critical to carrying out PBGC's vital mission. We remain committed to enhancing and improving our efforts and operations to better serve the workers and retirees we protect.

/s/

Gordon Hartogensis  
Director

**Table 1**

**Management Statement on Resolved Audit Reports Over Twelve Months Old  
With Final Action Pending as of September 30, 2020**

<b>Date Issued</b>	<b>Report No.</b>	<b>Title of Report</b>	<b>Status of Management Actions</b>
11/15/2007	2008-2	Report on Internal Controls PBGC's FY 2007 and 2006 Financial Statement Audit	Of the 18 recommendations included in the report, 16 were closed. The two remaining recommendations have been submitted to the OIG for closure.
05/16/2013	2013-7	FY 2012 Vulnerability Assessment and Penetration Testing Report	Of the five recommendations included in the report, four were closed. The remaining recommendation has been submitted to the OIG for closure.
01/9/2014	2014-6	FY 2013 Vulnerability Assessment and Penetration Testing Report	Of the seven recommendations included in the report, six were closed. The remaining recommendation has been submitted to the OIG for closure.
05/6/2015	2015-9	FY 2014 Federal Information Security Management Act Independent Evaluation Report	Of the 21 recommendations included in the report, 20 were closed. The remaining recommendation is in process.
12/11/2015	2016-1	FY 2015 Vulnerability Assessment and Penetration Testing Report	Of the six recommendations included in the report, four were closed. Of the two remaining recommendations, one has been submitted to the OIG for closure and one remains in process.
11/13/2015	2016-3	Report on Internal Controls Related to the PBGC's FY 2015 and 2014 Financial Statement Audit	Of the five recommendations included in the report, four were closed. The remaining recommendation has been submitted to the OIG for closure.
02/19/2016	2016-7	FY 2015 Federal Information Security Modernization Act Final Report	Of the eight recommendations included in the report, seven were closed. The remaining recommendation has been submitted to the OIG for closure.

11/15/2016	2017-3	Report on Internal Controls Related to the PBGC's FY 2016 and 2015 Financial Statement Audit	Of the eight recommendations included in the report, six were closed. The two remaining recommendations have been submitted to the OIG for closure.
01/18/2017	2017-6	PBGC's FY 2016 Financial Statement Audit Management Letter Report	Of the nine recommendations included in the report, six were closed. The three remaining recommendations are in process.
02/22/2017	2017-8	FY 2016 Vulnerability Assessment and Penetration Testing Report	Of the three recommendations included in the report, one recommendation was closed. Of the two remaining recommendations one has been submitted to the OIG for closure and one remains in process.
03/22/2017	2017-9	FY 2016 Federal Information Security Modernization Act Independent Evaluation Report	Of the 20 recommendations included in the report, 19 were closed. The remaining recommendation has been submitted to the OIG for closure.
11/13/2017	2018-2	FY 2017 Vulnerability Assessment and Penetration Testing Report	Of the seven recommendations included in the report, four have closed. The three remaining recommendations have been submitted to the OIG for closure.
11/17/2017	2018-6	Report on Internal Control Related to the PBGC's FY 2017 & 2016 Financial Statement Audit	Of the five recommendations included in the report, four have closed. The remaining recommendation is in process.
12/20/2017	2018-7	FY 2017 Federal Information Security Modernization Act Independent Evaluation Report	Of the four recommendations included in the report, three have been submitted to the OIG for closure and one remains in process.
11/15/2018	2019-1	Audit of the Pension Benefit Guaranty Corporation's FY 2018 & FY 2017 Financial Statements	Of the 13 recommendations included in the report, nine were closed. The four remaining recommendations have been submitted to the OIG for closure.

11/29/2018	2019-3	Fiscal Year 2018 Vulnerability Assessment and Penetration Testing of PBGC's Network	Of the three recommendations included in the report, two have closed. The remaining recommendation has been submitted to the OIG for closure.
12/20/2018	2019-4	Pension Benefit Guaranty Corporation's Fiscal Year 2018 Compliance with the Federal Information Security Modernization Act of 2014	Of the five recommendations included in the report, two recommendations have closed. The remaining three recommendations have been submitted to the OIG for closure.
01/31/2019	2019-8	PBGC's Data Protection at Contractor-Operated Facilities	Of the eight recommendations included in the report, five have closed. The three remaining recommendations are in process.
05/30/2019	2019-11	PBGC's use of the Women Owned Small Business Set-Aside Contracting Program	Of the two recommendations included in the report, one recommendation has closed. The remaining recommendation is in process.
09/25/2019	2019-13	PBGC's Efforts to Reduce the Collection, Maintenance, and Use of Social Security Numbers	Of the four recommendations included in the report, all remain in process.
09/27/2019	2019-14	PBGC's Property Management Program	Of the two recommendations included in the report, one recommendation has closed. The remaining recommendation is in process.

**Table 2**

**Management Statement on OIG Reports Requiring Final Action For the  
Period Ending September 30, 2020**

	<b>Ref. 5a U.S.C. 5(b)(2)(A)-(D)</b>	<b>Number of Reports</b>	<b>Disallowed Costs</b>	<b>Funds Put to Better Use</b>
A.	For which final action had not been taken by the commencement of the reporting period.	27	\$ 173,000	\$ 293,000
B.	For which management decisions were made during the reporting period.	1*	\$ 5,275,839	\$ -
C.	For which final action had been taken by the end of the reporting period, including--- i. dollar value of disallowed costs that were recovered by management ii. dollar value of disallowed costs that were written off by management iii. dollar value of recommendations that were actually completed iv. dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed  No. of reports for which final action was taken during the period.	2	\$ -	\$ -
D.	For which no final action has been made by the end of the reporting period.	26	\$ 5,448,839	\$ 293,000

\* During the reporting period, the OIG issued three (3) reports; only one (1) contained recommendations.