



May 10, 2021

MEMORANDUM REPORT

TO: Patricia Kelly
Chief Financial Officer

FROM: John Seger JOHN SEGER Digitally signed by JOHN SEGER
Date: 2021.05.10 09:15:13
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Assistant Inspector General for Audits, Evaluations, and Inspections

SUBJECT: Evaluation of PBGC's Fiscal Year 2020 Compliance with Payment Integrity Information Act of 2019 (EVAL-2021-08)

This memorandum report presents the results of our evaluation of PBGC's Fiscal Year (FY) 2020 Compliance with the Payment Integrity Information Act of 2019(PIIA). The objective of this evaluation was to determine if in the *Payment Integrity* section of the FY 2020 Agency Financial Report (AFR)/Performance and Accountability Report (PAR) and accompanying materials, PBGC met all PIIA requirements. In addition, we evaluated the agency's efforts to prevent and reduce improper payments. We conducted our work in accordance with the CIGIE Quality Standards for Inspection and Evaluation (Appendix I). We are statutorily required to issue the final report by May 15, 2021.

We thank you for your commitment to reducing risk and improving the effectiveness and efficiency of PBGC programs and operations. This report communicates the results of our review and does not contain recommendations; therefore, no management response is required. This report contains public information and will be posted in its entirety on our website and provided to the PBGC Board of Directors and Congress in accordance with the Inspector General Act.

Summary

We determined that PBGC is compliant with the applicable improper payment requirements. **(Table 1)**.

Table 1. PBGC PIIA Compliance Reporting

Compliance Requirement	Payment to Federal Employees
1a. The agency published improper payments information with the annual financial statement of the agency for the most recent fiscal year.	Compliant
1b. The agency posted the annual financial statement and accompanying materials required under guidance of the Office of Management and Budget on the agency website.	Compliant
2a. The agency conducted improper payment risk assessments for each program with annual outlays greater than \$10,000,000 at least once in the last three years.	Compliant
2b. The agency adequately concluded whether the program is likely to make improper payments above or below the statutory threshold.	NA
3. Published improper payment estimates for programs susceptible to significant improper payments in the accompanying materials to the annual financial statement.	NA
4. Published corrective action plans for each program for which an estimate was above the statutory threshold.	NA
5a. Published improper payment reduction targets for each program for which an estimate was above the statutory threshold	NA
5b. Is meeting the improper payment reduction targets (published in FY 2019) for each program for which an estimate was above the statutory threshold	NA

5c. Developed a plan to meet the improper payment reduction targets.	NA
6. Reported an improper payment estimate of less than 10% for each program for which an estimate was published.	NA

Source: OIG assessment of PBGC's FY 2020 compliance.¹

Background

The Pension Benefit Guaranty Corporation guarantees the retirement benefits of over 35 million workers and retirees through insurance coverage with single employer and multiemployer plan sponsors. The Corporation is directly responsible for the pension benefits of about 1.5 million current and future retirees in trusteed pension plans and pays over \$6 billion a year in benefits. PBGC receives no taxpayer funds. Because of its vital mission and operating model, one of the three strategic goals articulated in PBGC's Strategic Plan is to "maintain high standards of stewardship and accountability."

PIIA Requirements

To improve accountability of federal agencies' administration of funds, the PIIA, requires agencies to report to the President and Congress on the agencies' improper payments. An improper payment is any payment that should not have been paid or was paid in the incorrect amount (either overpayments or underpayments) as well as other cases listed in OMB implementing guidance. PBGC reports the required improper payment disclosures in its annual report. PBGC's FY 2020's Annual Report was issued on December 9, 2020.

Compliance Criteria

As required by OMB, an agency OIG must report on six requirements as part of their PIIA compliance reporting. The compliance means that the agency has:

1a. Published improper payments information with the annual financial statement of the agency for the most recent FY.

¹ Based on the results of PBGC's program specific risk assessments, requirements 2b through 6 are not applicable. PBGC determined the payment stream to federal employees was not susceptible to the significant risk of improper payments.

1b. Posted the annual financial statement and accompany materials required under guidance of OMB on the agency website.

2a. Conducted improper payment risk assessments for each program with annual outlays greater than \$10,000,000 at least once in the last three years.

2b. Adequately concluded whether the program is likely to make improper payments above or below the statutory threshold.

3. Published improper payment estimates for programs susceptible to significant improper payments in the accompanying materials to the annual financial statement.

4. Published corrective action plans for each program for which an estimate was above the statutory threshold.

5a. Published improper payment reduction targets for each program for which an estimate was above the statutory threshold.

5b. Is meeting the improper payment reduction targets (published in FY 2019) for each program for which an estimate was above the statutory threshold

5c. Developed a plan to meet the improper payment reduction targets

6. Reported an improper payment estimate of less than 10% for each program for which an estimate was published.

PBGC Programs or Activities

PBGC identified the following payment streams as programs/activities in prior fiscal years:

- *Benefit Payments*: benefit payments to participants in "final pay" status for plans trusted by PBGC under Title IV of the Employee Retirement Income Security Act;
- *Contractor and Purchase Card Payments*: payments to contractors for goods and services, including government credit card transactions;
- *Payments to Federal Employees*: payments made to federal employees, including payroll and travel reimbursements;

- *Multiemployer Financial Assistance Payments*: financial assistance payments to insolvent multiemployer plans that are unable to pay benefits when due under the requirements of Title IV of Employee Retirement Income Security Act; and
- *Premium Refunds*: refunds of previously paid premiums.

In the previous years, PBGC concluded that none of its payment streams were susceptible to significant improper payments. According to OMB, for programs that are deemed to be not 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 review.

Details

Based on our review, we determined that for FY 2020 PBGC is compliant with PIIA requirements listed in Table 1, :

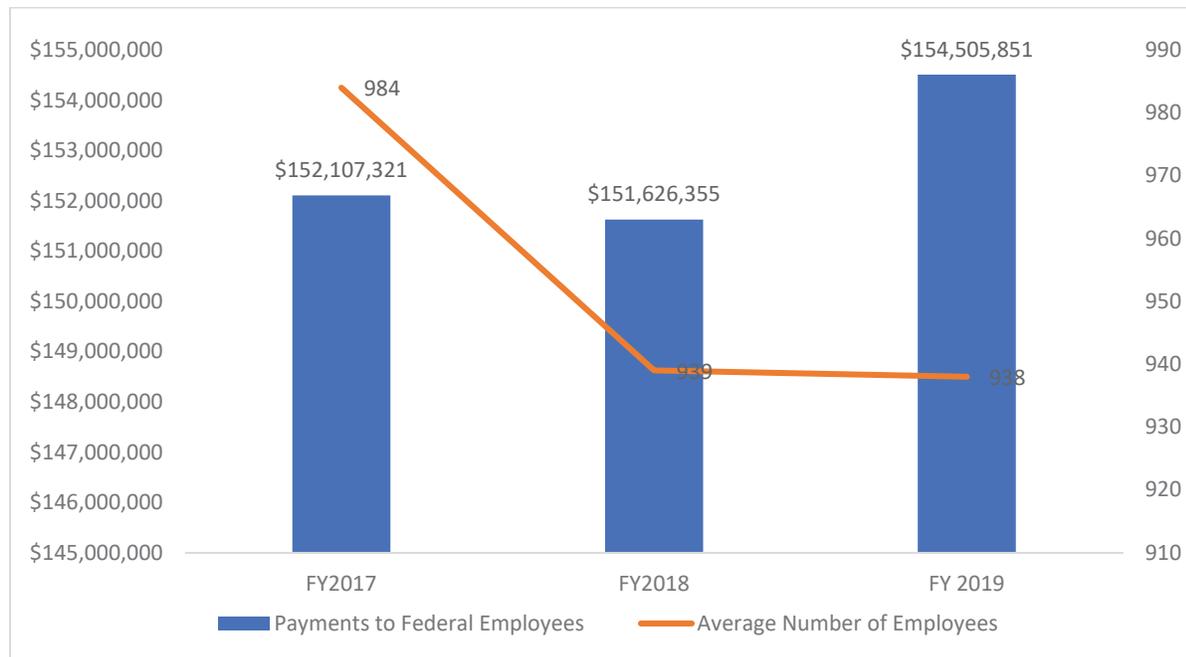
Requirement 1a: The Corporation published an annual report for FY 2020

Requirement 1b: The Corporation posted the annual financial statement and accompany materials required under guidance of OMB on the agency website.

Requirement 2a: The Corporation conducted improper payment risk assessments for each program with annual outlays greater than \$10,000,000 at least once in the last three years. We take no exception to the agency efforts to prevent and reduce improper payments.

Figure 1 below shows the annual payment volume and average number of employees for the last three fiscal years.

Figure 1. PBGC's FY 2017-2019 Payment Volume for Payment to Federal Employees



Source: CCRD risk assessments for payment to federal employees

PBGC concluded that the payment to federal employees is not susceptible to "significant" improper payments as defined in OMB Circular A-123, Appendix C. Under this guidance, "significant improper payments" are defined as gross annual improper payments (i.e., the total amount of overpayments and underpayments) in the program exceeding (1) both 1.5 percent of program outlays and \$10 million of all program or activity payments made during the fiscal year reported or (2) \$100 million (regardless of the improper payment percentage of total program outlays). We took no exception to accuracy and completeness of reporting for this requirement.

Requirements 2b through 6: Based on the results of PBGC's program specific risk assessments the PIIA compliance requirements 2b through 6 do not apply. PBGC determined that the payment stream was not susceptible to significant improper payments; therefore, an improper payment estimate, corrective action plans, annual reduction targets, and rates less than ten percent are not required for the payment stream.

In addition, we assessed the section on recapturing of potential improper payments in PBGC's published FY2020 annual report and took no exception.

Conclusion

We appreciate the cooperation you and your staff extended to us during this project. If you have questions or comments, please contact me at (202)229-3315, or Audit Manager Charles Yao at (202)229-3937.

cc: Gordon Hartogenesis, PBGC Director
Frank Pace, Director, CCRD
Russell Dempsey, General Counsel
Latrece Wade, Risk Management Officer
Comptroller General
OMB Controller
House Committee on Oversight and Reform staff
Senate Committee on Homeland Security and Government Affairs staff

Appendix I: Objective, Scope, Methodology, and Standards

Objective

To determine whether PBGC met all requirements of the Payment Integrity Information Act of 2019 (PIIA) in the *Payment Integrity* section of the Fiscal Year (FY) 2020 Agency Financial Report (AFR)/Performance and Accountability Report (PAR) and accompanying materials. In addition, we evaluated the agency's efforts to prevent and reduce improper payments.

Scope

We conducted this evaluation from December 2020 through April 2021 via full time telework because of COVID-19.

Methodology

The Improper Payments Elimination and Recover Act of 2010 (IPERA) (Public Law 111-204) amended the Improper Payments Information Act of 2002 and required agencies to identify and review all programs and activities they administer that may be susceptible to significant improper payments based on guidance provided by the Office of Management and Budget (OMB). In addition, Section 3 of IPERA required Inspectors General to review each agency's improper payment reporting and issue an annual report. On March 2, 2020, the Payment Integrity Information Act of 2019 (PIIA) (Public Law 116-117) repealed IPERA (and other laws) but set forth similar improper payment reporting requirements, including an annual compliance report by Inspectors General. Because final OMB guidance related to PIIA was not expected to be issued until February 2021, we initiated our FY 2020 annual compliance review using a combination of the requirements in OMB Circular A-123, Appendix C (M-18-20, June 2018), OMB Circular A-136 (August 2020), OMB Annual Data Call Instructions, OMB Payment Integrity Question and Answer Platform, and the Counsel of the Inspectors General on Integrity and Efficiency guidance required under PIIA.

To achieve our objective, we reviewed applicable federal laws, OMB guidance, and agency policy and procedures. We retrieved the Corporation's FY 2020 AFR from its website and reviewed the Improper Payment Reporting section included in the report. We interviewed PBGC's CCRD staff to gain an understanding of the procedures, oversight, and internal controls in place for the FY2020 AFR Payment Integrity section and any accompanying materials related to preparing the required risk assessments, preventing and detecting improper payments, and recapturing improper payments. To evaluate the agency efforts to prevent and reduce improper payment, we verified the

Corporation activities to the policies and procedures. We also reviewed the agency business cycle memos, which include key and non-key controls. We obtained source data from the agency to support applicable payment integrity information in the annual report and analyzed the source data to evaluate accuracy and completeness of payment integrity information in the report. We also obtained and reviewed PBGC's FY 2020 *Payment to Federal Employees* risk assessments and supporting documentation such as: prior years' annual reports, cycle memos, CFS account analysis report, OBIEE employee account report, and USA spending federal account profile. We reconciled Payment to Federal Employees and Travel and Miscellaneous Reimbursements amount from FY 2017-2019 to the account analysis detail source data from PBGC's Financial Operations Department. We compared the amounts from FY 2017-2019 in the USA spending federal account profile. Finally, we recalculated the total number of employees and verified it to OBIEE employee account report, generated from the DOI system.

Applicable Professional Standards

We conducted the review under the authority of the Inspector General Act of 1978, as amended, and in accordance with the Quality Standards for Inspection and Evaluation issued by the Council of the Inspectors General on Integrity and Efficiency. Those standards require that we plan and perform the engagement to obtain sufficient, and appropriate evidence to provide a reasonable basis for our conclusions and observations based on our objective. During the review, we obtained an understanding of internal controls that are significant to the engagement objective and did not find them unsatisfactory. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our inspection. Accordingly, the inspection included tests of controls and compliance with laws and regulations to the extent necessary to satisfy the evaluation objective. Finally, we partially relied on computer-processed data to satisfy our evaluation objective. We conducted a limited scope assessment of the data's reliability and deemed the data was sufficiently reliable. Thus, the evidence we obtained gives a reasonable basis for our conclusions and observations based on our objective.

Appendix II: Acronyms

ACRONYM	MEANING
AFR	Agency Financial Report
CCRD	Corporate Controls and Review Department
CFS	Consolidated Financial System
DOI	Department of Interior
FY	Fiscal Year
OBIEE	Oracle Business Intelligence Suite Enterprise Edition
PIIA	Payment Integrity Information Act of 2019
IPERIA	Improper Payment Elimination Recovery Act of 2010
IPIA	Improper Payment Information Act
PAR	Performance and Accountability Report
PBGC	Pension Benefit Guaranty Corporation
OIG	Office of Inspector General
OMB	Office of Management and Budget

Appendix III: Staff Acknowledgements

Staff Acknowledgements

In addition to the contact above, Charles Yao, Audit Manager, and Yolanda Young, Auditor-In-Charge, made key contributions to this report.

Appendix IV: Feedback

Please send your comments, suggestions, and feedback to OIGFeedback@pbgc.gov and include your name, contact information, and the report number. You may also mail comments to us:

Office of Inspector General
Pension Benefit Guaranty Corporation
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If you want to discuss this report or your comments with a member of the Office of Inspector General staff, please contact our office at (202) 326-4030.