



May 18, 2023

## MEMORANDUM REPORT

TO: Patricia Kelly  
Chief Financial Officer

FROM: John Seger   
Assistant Inspector General for Audits, Evaluations, and Inspections

SUBJECT: Evaluation of PBGC's Fiscal Year 2022 Compliance with the Payment Integrity Information Act of 2019 (Report No. EVAL-2023-09)

This memorandum report presents the results of our evaluation of PBGC's Fiscal Year (FY) 2022 Compliance with the Payment Integrity Information Act of 2019 (PIIA). The objective of this evaluation was to determine PBGC's FY 2022 compliance with PIIA, as amended by its predecessors, the Improper Payments Information Act of 2002 (IPIA); the Improper Payments Elimination and Recovery Act of 2010 (IPERA); and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA). In addition, we reviewed the payment integrity section in PBGC's Annual Report and the accompanying materials to the financial statements for FY 2022. We conducted our work in accordance with the Council of the Inspectors General on Integrity and Efficiency Quality Standards for Inspection and Evaluation. (Appendix I)

We provided a draft copy of this memorandum report to management and their comments have been incorporated in this final report. This report contains public information and will be posted in its entirety on our website and provided to the Board and Congress in accordance with the Inspector General Act.

### Summary

We determined that PBGC complied with the applicable PIIA requirements outlined in M-21-19, Transmittal of Appendix C to Office of Management and Budget (OMB) Circular A-123, *Requirements for Payment Integrity Improvement*, dated March 5, 2021. (Table 1)

**Table 1. PBGC’s FY 2022 PIIA Compliance Reporting Table**

| <b>OMB Criteria</b>   | <b>Payments to Contractors</b> | <b>Multiemployer Financial Assistance Payments</b> | <b>Benefit Payments</b> | <b>Payments to Federal Employees</b> | <b>Premium Refunds</b> | <b>Multiemployer Special Financial Assistance (SFA)</b> |
|---|--------------------------------|--|-------------------------|--------------------------------------|------------------------|---|
| <b>1a. Published payment integrity information with the annual financial statements.</b>  | Yes                            | Yes  | Yes                     | Yes                                  | Yes                    | Yes   |
| <b>1b. Posted the annual financial statements and accompanying materials on the agency website.</b>   | Yes                            | Yes  | Yes                     | Yes                                  | Yes                    | Yes   |
| <b>2a. Conducted Improper Payment (IP) risk assessments for each program with annual outlays greater than \$10,000,000 at least once in the last three years.</b> | Yes                            | Yes  | Yes                     | Yes                                  | Yes                    | N/A <sup>1</sup>  |

<sup>1</sup> SFA payments began in FY 2022. In accordance with OMB guidance for newly established programs, an IP risk assessment should be completed after the first 12 months of the program. Accordingly, an IP risk assessment will be conducted for SFA in FY 2023.

|  |                  |                  |                  |                  |                  |                  |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>2b. Adequately concluded whether the program is likely to make IPs and Unknown Payments (UPs) above or below the statutory threshold.</b>   | Yes              | Yes              | Yes              | Yes              | Yes              | N/A <sup>1</sup> |
| <b>3. Published IP and UP estimates for programs susceptible to significant IPs and UPs in the accompanying materials to the annual financial statements.</b>                                    | N/A <sup>2</sup> | N/A <sup>1</sup> |
| <b>4. Published corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statements.</b> | N/A <sup>2</sup> | N/A <sup>1</sup> |

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<sup>1</sup> SFA payments began in FY 2022. In accordance with OMB guidance for newly established programs, an IP risk assessment should be completed after the first 12 months of the program. Accordingly, an IP risk assessment will be conducted for SFA in FY 2023.

<sup>2</sup> Requirements 3 through 6 are not applicable as none of PBGC's payment streams are susceptible to significant improper payments.

|   |                  |                  |                  |                  |                  |                  |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>5a. Published an IP and UP reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statements.</b> | N/A <sup>2</sup> | N/A <sup>1</sup> |
| <b>5b. Demonstrated improvements to payment integrity or reached a tolerable IP and UP rate.</b>  | N/A <sup>2</sup> | N/A <sup>1</sup> |
| <b>5c. Developed a plan to meet the IP and UP reduction target.</b>   | N/A <sup>2</sup> | N/A <sup>1</sup> |
| <b>6. Reported an IP and UP estimate of less than 10% for each program for which an estimate was published in the accompanying materials to the annual financial statements.</b>                        | N/A <sup>2</sup> | N/A <sup>1</sup> |

Source: PBGC OIG’s assessment of PBGC’s compliance.

<sup>1</sup> SFA payments began in FY 2022. In accordance with OMB guidance for newly established programs, an IP risk assessment should be completed after the first 12 months of the program. Accordingly, an IP risk assessment will be conducted for SFA in FY 2023.

<sup>2</sup> Requirements 3 through 6 are not applicable as none of PBGC’s payment streams are susceptible to significant improper payments.

## Background

Established by the Employee Retirement Income Security Act of 1974 (ERISA), the Pension Benefit Guaranty Corporation (PBGC or Corporation) protects the retirement security of over 33 million American workers, retirees, and beneficiaries in single-employer and multiemployer defined-benefits pension plans. PBGC pays guaranteed benefits directly to retirees and beneficiaries in failed single-employer plans and pays financial assistance to insolvent multiemployer plans to allow them to pay guaranteed benefits to retirees and beneficiaries. These two insurance programs are legally separate and operationally and financially independent. In addition, the American Rescue Plan (ARP) Act of 2021 established the Special Financial Assistance (SFA) Program for financially troubled multiemployer pension plans. The SFA program is funded by general U.S. Treasury monies.

### *PIIA Requirements*

PIIA requires agencies to identify and review, based on guidance provided by OMB, all programs and activities they administer that may be susceptible to significant improper payments. Program payments are categorized in one of three possible payment types:

1. *Proper Payment* - a payment made to the right recipient for the right amount,
2. *Improper Payment (IP)* - a payment made in an incorrect amount or to the wrong recipient, or
3. *Unknown Payment (UP)* - for instances where an agency is unable to determine whether the payment falls into the proper or improper category, that payment should be considered an “unknown” payment.

### *Compliance*

On March 5, 2021, OMB issued a revised OMB Circular A-123 Appendix C (M-21-19). The stated goal of this guidance is to transform the payment integrity compliance framework and create a more comprehensive and meaningful set of requirements to allow agencies to spend less time complying with low-value activities and more time researching the underlying causes of improper payments, balancing payment integrity risks and controls, and building the capacity to help prevent future improper payments. The Office of Inspector General (OIG) is responsible for determining whether the agency is compliant with PIIA and submitting a report on that determination.

For an agency to be deemed *Compliant* with the PIIA, it must have complied with all 10 OMB criteria listed in Table 1.

### *PBGC Programs and Activities*

PBGC performs risk assessments of its payment streams using a rotational strategy based on a three-year cycle. PBGC's payment streams include the following:

1. *Benefit Payments*: benefit payments to participants in "final pay" status for plans trusteesd by PBGC under Title IV of ERISA;
2. *Payments to Contractors*: payments to contractors for goods and services, including government credit card transactions;
3. *Payments to Federal Employees*: payments made to federal employees, including payroll and travel reimbursements;
4. *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 ERISA;
5. *Premium Refunds*: refunds of previously paid premiums; and
6. *Multiemployer Special Financial Assistance Payments*: special financial assistance payments for distressed multiemployer plans that meet specific criteria under ARP.<sup>3</sup>

In previous years, PBGC concluded that none of its payment streams, that have been assessed, were susceptible to significant improper payments as defined by statute or OMB guidance. According to OMB, for programs that are deemed not to be susceptible to significant improper payments, agencies must perform risk assessments at least once every three years. In FY 2022, in accordance with its three-year rotational schedule, PBGC performed risk assessments on *Payments to Contractors* and *Multiemployer Financial Assistance Payments*, which were the subjects of our review.

### **Details**

Based on our review, we determined that, for FY 2022, PBGC was compliant with the 10 PIIA requirements. (See Table 1)

- **Requirement 1a**: PBGC published payment integrity information with the annual financial statements in its FY 2022 Annual Report, dated November 15, 2022.

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<sup>3</sup> SFA payments began in FY 2022. In accordance with OMB guidance for newly established programs, IP risk assessment should be completed after 12 months of the program. Accordingly, an IP risk assessment will be conducted for SFA in FY 2023.

- **Requirement 1b:** PBGC posted the annual financial statements and accompanying materials on the agency website at <https://www.pbgc.gov/about/annual-reports>.

However, PBGC did not include a hyperlink to *PaymentAccuracy.gov* in the Annual Financial Report (AFR) for access to the accompanying materials.

OMB A-136 requires agencies that provide information to OMB through the Annual Data Call to include the website hyperlink for *PaymentAccuracy.gov* in their AFR. The link in the AFR provides a reader access to information on agency IP risk assessments, recoveries, and other agency-wide reporting requirements.

For FY 2022, PBGC provided information to OMB through the Annual Data Call at the program level for every program and activity with outlays over \$10,000,000. However, PBGC did not provide a hyperlink to *PaymentAccuracy.gov* in their AFR. For FY 2022, PBGC included the same Payment Integrity reporting information in the AFR as the information posted on *PaymentAccuracy.gov*. We believe it is important that the Corporation include a link to *PaymentAccuracy.gov* in the AFR to provide a reader with access to other more in-depth payment integrity data as this data could change in the future.

- **Requirement 2a:** CCRD conducted IP risk assessments for each program with annual outlays greater than \$10,000,000 at least once in the last three years based on our prior and ongoing work. In FY 2022, based on PBGC's rotational schedule, it performed risk assessments on *Payments to Contractors and Multiemployer Financial Assistance Payments*.
- **Requirement 2b:** PBGC adequately concluded that the two payments streams are not susceptible to significant improper payments (not likely to make IPs and UPs above the statutory threshold) based on the risk assessments performed by a contractor, under the direction and oversight of CCRD personnel and management.
- **Requirements 3 through 6:** These requirements do not apply based on PBGC's determinations in its risk assessments. As PBGC determined that all payment streams were not susceptible to significant improper payments, improper payment estimates, corrective action plans, annual reduction targets, and rates less than ten percent are not required for the payment streams.

## Prior Year Recommendation

We followed-up on our recommendation from last year's payment integrity compliance report, EVAL-2022-11, and found that management's corrective actions adequately addressed our recommendation that PBGC update, using the most recent OMB guidance, the risk assessment's methodology to ensure it supports a cumulative rating, considering detailed weighting of risk factors, pre-defined rating scale, or a quantitative approach. Specifically, the Corporation updated its risk assessment methodology to include a risk weight based on the relative likelihood and impact that the risk factor could contribute to the susceptibility of the program making significant improper payments and/or unknown payments to each improper payments risk factor. PBGC used the new weighted methodology when performing its FY 2022 improper payment risk assessments.

## Recommendation

We recommend the Office of the Chief Financial Officer:

1. Include the website hyperlink for *PaymentAccuracy.gov* in PBGC's Annual Financial Report.

**PBGC's Response and OIG Evaluation Resolved.** PBGC concurred with this recommendation. The Office of the Chief Financial Officer stated that CCRD will include a hyperlink for *PaymentAccuracy.gov* in PBGC's AFR beginning with fiscal year 2023. The scheduled completion date for this action is December 8, 2023.

## Conclusion

We appreciate the cooperation you and your staff extended to us during this project. We thank you for your receptiveness to our recommendation and your commitment to reducing risk and improving the effectiveness and efficiency of PBGC programs and operations. If you have questions or comments, please contact me at (202) 229-3315 or Anna Oglesby at (202) 229-3478.

cc: Gordon Hartogensis, PBGC Director  
Frank Pace, Director CCRD  
Karen Morris, General Counsel  
Latrece Wade, Risk Management Officer  
Kristin Chapman, Chief of Staff  
Department of Labor Board staff  
Department of Treasury Board staff  
Department of Commerce Board staff

Senate Committee on Homeland Security and Governmental Affairs  
House Committee on Oversight and Accountability  
Comptroller General of the United States  
Office of Management and Budget  
House Committee on Appropriations  
Senate Committee on Appropriations  
House committee staff (Education and Workforce, Ways and Means,  
HOGR) Senate committee staff (HELP, Finance, HSGAC)

## **Appendix I: Objective, Scope, Methodology, and Standards**

### **Objective**

Our objective is to determine whether PBGC complied with the Payment Integrity Information Act of 2019 (PIIA) for Fiscal Year (FY) 2022.

### **Scope**

We conducted our evaluation of PBGC's FY 2022 Compliance with PIIA from December 2022 through April 2023 via telework and at PBGC HQ, 445 12th Street SW, Washington, DC 20024.

### **Methodology**

To achieve our objective, we reviewed applicable federal laws, OMB guidance, and agency policies and procedures. From PBGC's website, we obtained and reviewed PBGC's FY 2022 Annual Financial Report (AFR), focusing on the Improper Payment Reporting section and accompanying materials to assess PBGC's compliance with PIIA and related OMB guidance.

We interviewed PBGC's Corporate Controls and Reviews Department staff to gain an understanding of the procedures, oversight, and internal controls in place for the FY 2022 Annual Report Payment Integrity section and any accompanying materials related to reporting the required data in the appropriate format to OMB and in the AFR, preparing the required risk assessments, preventing and detecting improper payments and recapturing improper payments.

To evaluate the agency's efforts to prevent and reduce improper payments, we gained an understanding of applicable policies and procedures. We obtained source data from the agency to support applicable payment integrity information in the Annual Report and analyzed the source data to evaluate the accuracy and completeness of payment integrity information in the report.

We obtained and reviewed PBGC's Risk Assessments for FY 2022 Payment Integrity Review of *Multiemployer Financial Assistance Payments and Payments to Contractors* payment streams. We conducted an in-depth analysis of the risk factors in accordance with OMB M-21-19 by evaluating supporting documentation, such as cycle memos, prior reports and assessments, internal control reports, and PBGC Outlay Reconciliation reports and assessing the reasonableness of the risk factor's ratings, scoring and weighting.

## **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 evaluation included review of controls and compliance with laws and regulations to the extent necessary to satisfy the evaluation objective. We determined that a data reliability assessment was not needed, and the data used to evaluate PBGCs compliance with PIIA is sufficient for the purpose of meeting our evaluation objectives. Thus, the evidence we obtained gives a reasonable basis for our conclusions and observations based on our objective.

## Appendix II: Management Response



445 12th Street SW  
Washington, DC 20024-2101  
202-229-4000  
PBGC.gov

May 5, 2023

**To:** John Seger  
Assistant Inspector General for Audits, Evaluations, and Inspections

**From:** Patricia Kelly  
Chief Financial Officer **PATRICIA KELLY** Digitally signed by PATRICIA KELLY  
Date: 2023.05.05  
09:23:17 -0400

**Subject:** Response to OIG's Draft Report on PBGC's Fiscal Year 2022 Compliance with the Payment Integrity Information Act of 2019

Thank you for the opportunity to comment on the Office of the Inspector General's (OIG) draft report, received May 4, 2023, relating to the Pension Benefit Guaranty Corporation's (PBGC) Compliance with the Payment Integrity Information Act of 2019 (PIIA). Your office's work on this is appreciated and we are pleased that your office determined that PBGC is compliant with the applicable PIIA requirements.

PBGC management concurs with the report's findings and recommendation. In the attachment to this memorandum, you will find our specific response to the recommendation. Addressing this recommendation in a timely manner is an important priority for PBGC.

**cc:** Kristin Chapman, Chief of Staff  
Karen Morris, General Counsel  
Latrece Wade, Risk Management Office  
Frank Pace, CCRD Director

Our comment on the specific recommendation in the draft report is as follows:

1. **Include the website hyperlink for *PaymentAccuracy.gov* in PBGC's Annual Financial Report (OIG Control Number 2023-09-01).**

**PBGC Response:** Management concurs with this recommendation. The Corporate Controls and Reviews Department (CCRD) will include a hyperlink for *PaymentAccuracy.gov* in PBGC's Annual Financial Report beginning with fiscal year 2023.

**Scheduled Completion Date:** December 8, 2023

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### Appendix III: Acronyms

| Acronym | Meaning   |
|---------|---|
| AFR     | Annual Financial Report                         |
| CCRD    | Corporate Controls and Reviews Department       |
| ERISA   | Employee Retirement Income Security Act of 1974 |
| FY      | Fiscal Year                                     |
| IP      | Improper Payment                                |
| OIG     | Office of Inspector General                     |
| OMB     | Office of Management and Budget                 |
| PIIA    | Payment Integrity Information Act of 2019       |
| SFA     | Special Financial Assistance Program            |
| UP      | Unknown Payment                                 |

## **Appendix IV: Staff Acknowledgements**

PBGC OIG Contact

John Seger, 202-229-3315 or  
seger.john@pbgc.gov

Staff Acknowledgements

In addition to the contact above, Anna Oglesby, Audit Manager, Tyson Lee, Information Technology Specialist Auditor, and Kelly Migliore, Auditor, made key contributions to this report.

## **Appendix V: Feedback**

Please send your comments, suggestions, and feedback to [OIGFeedback@pbgc.gov](mailto: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  
445 12th Street SW  
Washington, DC 20024

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.