

Office of Inspector General
Pension Benefit Guaranty Corporation



Semiannual Report to Congress

For the Period October 1, 2022 to March 31, 2023

SARC #68



Our Value Framework

 **OUR VISION**

Providing deep knowledge and sensible solutions through independent, positive engagement.

 **OUR CORE VALUES**

Respect 	Integrity 
Excellence 	Objectivity and Independence 

INDEPENDENT, POSITIVE ENGAGEMENT

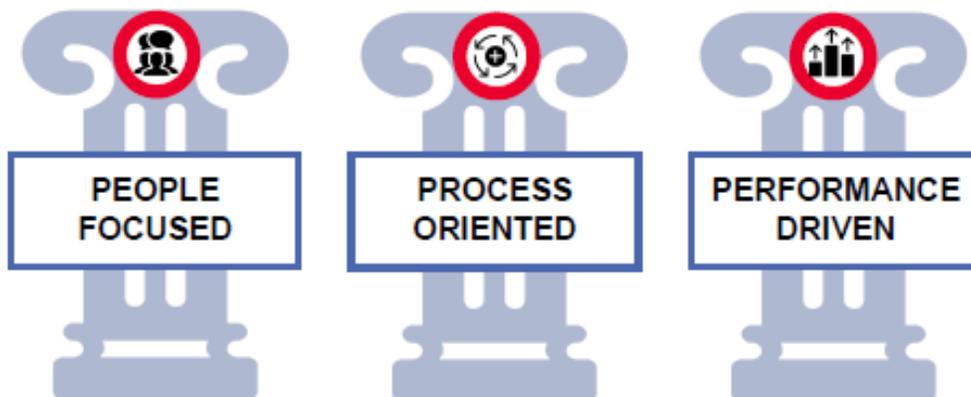
This is the OIG brand value proposition.

Our work must be **independent** and objective.

At the same time, corrective action based on our work is less likely to happen if we are not engaged *with* management.

We optimize our value through **positive engagement** and creating win-wins whenever possible.

Pillars





From the Inspector General



Nicholas J. Novak

The Board of Directors
Pension Benefit Guaranty Corporation

I am pleased to present the Pension Benefit Guaranty (PBGC) Office of Inspector General's (OIG's) Semiannual Report to Congress for the 6 months ending March 31, 2023.

Two years ago, President Biden signed the \$1.9 trillion American Rescue Plan Act (ARP), which included an estimated \$83 billion for Special Financial Assistance (SFA) to troubled multiemployer pension plans. No legislation has had a bigger impact on the Corporation's finances and the multiemployer pension plan insurance program it administers. As of March 31, 2023, the Corporation has approved 41 SFA applications for \$44.8 billion. Another 35 plans, requesting \$22.1 billion, have applications under review; this means that almost 40 percent of the plans that the Corporation projects are eligible for SFA have applied. The SFA to these 76 plans constitutes more than 80 percent of the predicted cost of the program.

With ARP's enactment, the Corporation faced a tall order – implement a critical financial assistance program in just 120 days while maintaining a high standard of fiscal responsibility. The OIG plays a key role in oversight of the Corporation meeting its statutory and business obligations. The Office of Management and Budget underlined the importance of this role with a simple message to executive agencies and their respective OIGs: work together. We have proactively worked with the Corporation and will continue to do so.

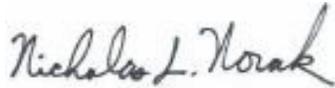
During this reporting period, we published two reports on the SFA program containing 14 recommendations:

- Report 2023-08 found the Corporation did not formally assess fraud risks, sufficiently define risk tolerances, establish review procedures for exceptions, or adequately document its final review procedures for applications. As such, current procedures are not sufficient to ensure timely delivery of accurate SFA amounts to eligible plans. With the priority group window for SFA applications closing, the Corporation also needs new procedures to ensure SFA eligibility.
- Report 2023-05 found PBGC approved applications that may have included deceased participants. PBGC did not consider available information, such as results of a death

audit performed by its Multiemployer Program Division, in its review of the SFA applications. We found approximately \$6 million in possible improper payments for deceased participants in the four plans that we reviewed.

The Corporation agreed with our recommendations in these reports and is working to implement new internal controls, reduce risk, and better protect taxpayer dollars. We appreciate the Corporation's efforts. We will continue to provide oversight for the SFA program and work with the Corporation to resolve critical matters that affect beneficiaries, plans, and taxpayers.

Respectfully submitted,

A handwritten signature in black ink that reads "Nicholas J. Novak". The signature is written in a cursive style with a large, prominent initial "N".

Nicholas J. Novak
Inspector General

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Contents

Statement Regarding Plain Writing	vii
Abbreviations	vii
Executive Summary	9
Background	11
Pension Benefit Guaranty Corporation	11
The Office of Inspector General	12
Management Challenges	14
Information Technology (IT) Security and Management.....	14
IT Security.....	14
Zero Trust Architecture	15
Modernization of PBGC’s Key Information Technology Systems.....	16
Transparency and Accountability of Professional Services Contracting.....	20
In Focus	22
Improvements to Social Security Administration’s Full Death Master File.....	22
Audits, Evaluations, and Reviews	24
Financial Audits and Related Work.....	24
Audit of the Pension Benefit Guaranty Corporation’s Fiscal Year 2022 and 2021 Financial Statements	24
Audit of the Pension Benefit Guaranty Corporation's Limited Purpose Financial Statements Report Fiscal Year 2022 and 2021	24
Pension Benefit Guaranty Corporation’s Implementation of the Federal Information Security Modernization Act of 2014 for FY 2022.....	25
Fiscal Year 2022 Financial Statement Audit Management Letter Report.....	26
Evaluations and Special Reports.....	26

Evaluation of Hotline Complaints Regarding a PBGC Contract	26
PBGC Should Improve Its Special Financial Assistance Review Procedures	26
PBGC Should Exclude Deceased Terminated Vested Participants from SFA Calculations	27
OIG Special Report PBGC Security Assessment Report	27
On-Going Evaluations and Related Work.....	28
PBGC's Fiscal Year 2022 Compliance with the Payment Integrity Information Act of 2019.....	28
Evaluation of PBGC's Oversight of Single-Employer Pension Insurance Modeling System (SE PIMS) Modernization and Development Contracts.....	28
Limited Scope Evaluation of the Impact of GAO's Decision on the Use of a Bifurcated Interest Rate for Special Financial Assistance.....	28
Limited Scope Evaluation of Projected Benefit Payments in Selected SFA Applications	28
Investigative Activities	29
Wisconsin Man Pled Guilty and Sentenced for Impersonating PBGC Participant to Steal Pension Benefits.	29
Apex, North Carolina Woman Pled Guilty to Conversion of Government Funds.....	29
Manchester, New Hampshire Woman Charged with Theft of Public Funds and Identity Theft.....	30
Second Philadelphia, Pennsylvania Woman Charged for Conversion of Government Funds.....	30
Wilkes Barre, Pennsylvania Woman Sentenced for Theft of Government Funds.....	30
PBGC Laptop Recovered After Investigation for Theft of Government Property.....	31
Deceased Participants Program.....	31
Special Financial Assistance Outreach.....	31
OIG Hotline	32
Senior Government Employee Substantiated Misconduct Investigations.....	32

Instances of Whistleblower Retaliation	32
Congressional Requests.....	32
Other OIG Statutory Reporting	32
Access to Information.....	32
Interference with Independence.....	33
Outstanding Management Comment and Unimplemented Recommendations.....	33
Management Decisions	33
Compliance with Federal Financial Management Improvement Act	33
Review of Proposed Statutory and Regulatory Changes	33
Peer Reviews.....	33
Restricted Access Audit, Inspection or Evaluation Reports.....	35
Cross-Reference to Reporting Requirements of the Inspector General Act	36
Statistical Summary of Audit and Investigative Activities	38
Previously Reported Significant Recommendations For Which Corrective Action Has Not Been Taken.....	41
Results of Reports Issued.....	42
Summary of PBGC Open Recommendations.....	44

Statement Regarding Plain Writing

We strive to follow the Plain Writing Act of 2010. The Act requires that government documents be clear, concise, well-organized, and follow other best practices appropriate to the subject or field and intended audience. The abbreviations we use in this report are listed below.

Abbreviations

ARP	American Rescue Plan Act
BCV	Benefits Calculation and Valuation
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CISA	Cybersecurity and Infrastructure Security Agency
COR	Contracting Officer's Representative
CPAR	Contractor Assessment Reporting System
DOL	Department of Labor
EDR	Electronic Death Registry
EEOC	Equal Employment Opportunity Commission
ERISA	Employee Retirement Income Security Act of 1974
EY	Ernst and Young, LLP
FAR	Federal Acquisition Regulations
FISMA	Federal Information Security Modernization Act
FPBU	Funds Put to Better Use
FY	Fiscal Year
GAO	Government Accountability Office
I&E	Inspections and Evaluations
IG Act	Inspector General Act of 1978
IT	Information Technology
MPP	Missing Participants Program
NARA	National Archives Record Administration
OBA	Office of Benefits Administration
OGC	Office of General Counsel
OIG	Office of Inspector General
OIT	Office of Information Technology
OMB	Office of Management and Budget
ONR	Office of Negotiations and Restructuring
OPM	Office of Personnel Management
PBGC	Pension Benefit Guaranty Corporation
PD	Procurement Department
PII	Personally Identifiable Information
PIIA	Payment Integrity Information Act of 2019
USAO	U.S. Attorney's Office
SFA	Special Financial Assistance

SE-PIMS	Single Employer Pension Insurance Modeling System
SSN	Social Security Number
T-PIMS	Transformational Pension Insurance Modeling System
U.S.C.	United States Code
ZTA	Zero Trust Architecture

Executive Summary

During the period October 1, 2022, through March 31, 2023, we:

- Closed 19 recommendations and issued 29 new recommendations. The total number of open audit recommendations is 45. (P. 24)
- Issued the following reports:

Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2022 and 2021 Financial Statements. For the years ended September 30, 2022 and 2021, the financial statements present fairly, in all material respects, the financial position of the Single-Employer and Multiemployer Program Funds and the results of their operations and cash flows for the years then ended. PBGC maintained, in all material respects, effective internal control over financial reporting as of September 30, 2022. No instances of noncompliance or other matters with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. (P. 24)

Audit of Pension Benefit Guaranty Corporation's Limited Purpose Financial Statements for Fiscal Year 2022 and 2021. We issued the audit report of PBGC's Limited Purpose Financial Statements, which includes Note 38 (formerly Note 45) in the Supplemental Information for the years ended September 30, 2022 and 2021. This limited purpose financial statement report is prepared to meet applicable legal and regulatory requirements. (P. 24)

Pension Benefit Guaranty Corporation's Implementation of the Federal Information Security Modernization Act of 2014 for FY 2022. PBGC's Information Security Continuous Monitoring function was assessed at *Optimized*, and the remaining four Cybersecurity Framework functions were found to be *Managed and Measurable*. Four new recommendations have been issued related to PBGC's configuration management and identity and access management programs. (P. 25)

Fiscal Year 2022 Financial Statement Audit Management Letter Report. We contracted with an independent public accounting firm to perform the audit. This management letter summarizes its findings and recommendations related to PBGC's internal control deficiencies and other matters. The issues noted in this report are not significant; and, therefore, the deficiencies were not required to be reported in the Independent Auditor's Report. (P. 26)

Evaluation of Hotline Complaints Regarding a PBGC Contract. We determined that the fraud allegations in the complaints were unsubstantiated. However, we identified a concern related to PBGC's oversight of the labor-hour contracts that warrants management action. (P. 26)

PBGC Should Improve Its Special Financial Assistance Review Procedures.

While PBGC quickly drafted Special Financial Assistance (SFA) regulations, as required, after the American Rescue Plan Act (ARP) passed and launched the SFA program, the Corporation did not formally assess and document fraud risks, sufficiently define risk tolerances, establish review procedures for exceptions, formalize final review procedures, or design a control that would ensure timely review of SFA applications. (P. 26)

PBGC Should Exclude Deceased Terminated Vested Participants from SFA

Calculations. PBGC approved SFA applications that may have included deceased participants in the terminated vested populations, resulting in a possible overpayment of SFA funds. We made six recommendations to improve the quality of SFA estimates and approvals related to potential deceased participants in the terminated vested populations. (P. 27)

OIG Special Report – PBGC Security Assessment Report. During the financial statement audit, the OIG contracted with an independent public accountant to assess PBGC's network for technical weaknesses that may allow employees or outsiders to cause harm or impact PBGC's business processes and information. The report detailing the security assessment has been redacted in its entirety because it contains privileged and confidential information. (P. 27)

Continued to focus investigative resources on:

Deceased Participants Program. We continued our efforts under our fraud detection/computer matching initiative to identify deceased participants in the single-employer and multiemployer programs. (P. 31)

OIG Hotline. The Hotline not only serves as a tool to report fraud, waste, and abuse, but also provides a method for participants to report missing benefits, seek assistance with applying for benefits, and report mistreatment by a caregiver or family member. (P. 32)

Background

Pension Benefit Guaranty Corporation

The Employee Retirement Income Security Act of 1974 (ERISA) established the Pension Benefit Guaranty Corporation (PBGC or the Corporation) within the Department of Labor (DOL) to administer the pension insurance programs. ERISA requires PBGC to: (1) encourage the continuation and maintenance of voluntary private pension plans, (2) provide for the timely and uninterrupted payment of pension benefits to participants and beneficiaries, and (3) maintain premiums at the lowest level consistent with carrying out PBGC's obligations.

PBGC insures the pension benefits of more than 33 million American workers and retirees who participate in about 25,000 private-sector defined-benefit plans through its single-employer and multiemployer insurance programs. Historically, the Corporation has not received general tax revenues. Operations are financed by insurance premiums set by statute and paid by sponsors of defined-benefit plans, investment income, assets from pension plans trusted by PBGC, and recoveries from the companies formerly responsible for the plans. In fiscal year (FY) 2022, PBGC paid over \$7.0 billion in retirement benefits to more than 960,000 participants in 5,100 single-employer plans. It also paid \$226 million in financial assistance to 115 multiemployer plans. It managed approximately \$128 billion in total assets between the two programs.¹

ARP established the SFA program for financially troubled multiemployer pension plans to address the solvency of the Multiemployer Program, which was projected to become insolvent in 2026. The SFA program is to provide an estimated \$83 billion in assistance to approximately 200 plans.²

For the first time in its 48-year history, PBGC received taxpayer funds to provide SFA to financially troubled multiemployer plans under ARP. On July 8, 2022, PBGC published a final rule implementing changes to the SFA program for financially troubled multiemployer pension plans. The final rule became effective on August 8, 2022 and made changes to certain provisions of PBGC's interim final rule published in July 2021, including allowing plans to invest a portion of their SFA assets in return-seeking assets, modifying the calculation method to allow two interest rates for a plan's SFA and non-SFA assets, and providing a different methodology for the calculation of SFA for plans that implemented benefit suspensions under the Multiemployer

¹ Unless otherwise cited, the figures contained in this section are based on PBGC's 2022 Annual Report.

² PBGC FY 2021 Projects Report, September 2022.

Pension Reform Act of 2014. As of March 31, 2023, PBGC has received SFA applications from 83 multiemployer plans, which includes an application denied by PBGC due to ineligibility, requesting a total of \$66.3 billion. PBGC has approved 41 of these applications for a total of \$44.8 billion (this amount includes interest payments); 35 applications are under review with a requested SFA amount of \$22.1 billion. In addition, there are 35 supplemented applications submitted under the final rule (by plans that previously received SFA payments under the interim final rule) with a requested SFA amount of \$1.7 billion. (PBGC has approved 28 of these applications for a total of \$1.0 billion including interest payments.)

Even with SFA, PBGC's long-term financial future remains uncertain, due in part to the collective risk of the many underfunded pension plans PBGC insures and a long-term decline in the number of traditional defined-benefit plans. GAO designated the Single-Employer Program in 2003, and the Multiemployer Program in 2009, as *high-risk*. GAO's latest report in the high-risk series has removed PBGC's programs.

At the end of FY 2022, PBGC's net position in the Single-Employer Program was approximately \$37 billion and its net position in the Multiemployer Program was approximately \$1.1 billion. For FY 2022, PBGC's estimate of the reasonably possible exposure to loss in the Single-Employer Program improved to \$52 billion. PBGC's estimate of its Multiemployer Program's reasonably possible exposure increased to \$2.2 billion in FY 2022. The primary reason for the increase in exposure was an increase in the number of plans classified as reasonably possible due to plan asset losses. Another driver of the increase was the increase in the number of small plans projected to become insolvent within 20 years primarily due to plan asset losses.

PBGC's governance structure is comprised of the Board of Directors, their Board Representatives, the Advisory Committee, a Presidentially-appointed and Senate-confirmed Director, and PBGC executives. PBGC is also subject to Congressional oversight. Other elements of governance include PBGC's system of internal controls, its clearly articulated authority under ERISA to act, and PBGC's operational policies and procedures. PBGC governance is complex and requires those who are charged with its oversight to view the Corporation from different perspectives. Oversight by the PBGC Board, PBGC management, and OIG is critical to effective corporate governance.

The Office of Inspector General

The PBGC Office of Inspector General was created under the 1988 amendments to the Inspector General Act of 1978 (IG Act). We provide independent and objective audits, inspections, evaluations, and investigations to help Congress, the Board of Directors, and PBGC protect the pension benefits of America's workers.

We are organizationally independent from the Corporation, with the Inspector General reporting to the Board of Directors. Under Public Law 112-141, the Inspector General must attend at least two Board meetings per year “to provide a report on the activities and findings of the Inspector General, including with respect to monitoring and review of the operations of the Corporation.”

The OIG executive leadership team consists of the Inspector General, the Deputy Inspector General, the Chief Counsel, and the Assistant Inspectors General. The Assistant Inspector General for Audits leads our audit staff, the Assistant Inspector General for Investigations leads our investigative staff, and the Assistant Inspector General for Management leads our office operations.

Our office operates in compliance with the *Quality Standards for Federal Offices of Inspector General* issued by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). Our audits are performed in compliance with the *Generally Accepted Government Auditing Standards* issued by the Comptroller General of the United States. Our evaluations and inspections work are performed in compliance with the CIGIE *Quality Standards for Inspection and Evaluation*, and investigations are conducted in compliance with the CIGIE *Quality Standards for Investigations*.

We strive to provide deep knowledge and sensible solutions through independent, positive engagement. We focus our available resources on high-risk areas and continuously seek ways to increase value to our stakeholders; to support this, we completed our routine update to our internal risk assessment of PBGC. We also continued emphasis on our OIG capability model to focus on three oversight imperatives: Contracting, Data Analytics and Visualization, and Compliance and Integrity.

We actively participate in and support OIG community activities. The Inspector General represents our office on the CIGIE Enterprise Risk Management Working Group and the Inspectors General Legislation Committee. Our Chief Counsel represents our office on the Chief Counsels of Inspectors General Employment Law Working Group. Our Assistant Inspector General for Management represents our office on the CIGIE Data Analytics Working Group. In addition, three of our auditors are part of the CIGIE Leading, Inspiring, and Fostering Talent Network, an audit manager participates in CIGIE’s Enterprise Risk Management Working Group, and an analyst is a member of CIGIE’s Quality Assurance Working Group. Finally, we actively support diversity, equity, inclusion, and accessibility (DEIA) within the community and throughout our office. Two auditors serve on the CIGIE DEIA Work Group.

Management Challenges

Information Technology (IT) Security and Management

This challenge refers to (1) the protection of Federal Information Technology (IT) systems from intrusion or compromise by external or internal entities and (2) the planning and acquisition for replacing or upgrading IT infrastructure. This is a long-standing, serious, and ubiquitous challenge for federal agencies across the government because agencies depend on reliable and secure IT systems to perform their mission-critical functions. The security and management of government IT systems remains challenging due to significant impediments faced by federal agencies, including resource constraints and a shortage of cybersecurity professionals. Key areas of concern are safeguarding sensitive data and information systems, networks, and assets against cyber-attacks and insider threats; modernizing and managing federal IT systems; ensuring continuity of operations; and recruiting and retaining a highly skilled cybersecurity workforce.

Protecting retiree income by paying benefits on time and accurately is a statutory requirement and one of the fundamental reasons PBGC exists. In FY 2022, the Corporation paid over \$7 billion in benefits to more than 960,000 participants in single-employer plans and \$226 million in financial assistance to 115 multiemployer plans, covering the benefits of 93,525 participants. In addition, PBGC paid \$7.5 billion to multiemployer plans through the Special Financial Assistance program. PBGC relies on information systems and electronic data to carry out operations and process, maintain, and report essential information.

IT Security

On December 6, 2021, the Office of Management and Budget (OMB) stated that “[t]he United States Government continues to face increasingly sophisticated efforts to compromise Federal IT systems, challenging current defenses and creating an urgent need to evolve to a new security paradigm.” In Fiscal Year 2020, OMB reported that federal agencies suffered 30,819 cybersecurity incidents, an 8 percent increase over 2019.



On November 4, 2021, the Cybersecurity & Infrastructure Security Agency (CISA) issued a Directive stating that the United States faces persistent and increasingly sophisticated malicious cyber campaigns that threaten the American people’s security and privacy. The CISA Directive

stated that the federal government must improve its efforts to protect against these campaigns as these vulnerabilities pose a significant risk to agencies and the federal enterprise.

PBGC IT systems support day-to-day operations of the Corporation and are critical to the Corporation's mission. Many of PBGC's systems contain vast amounts of personally identifiable information (PII), including approximately two million Social Security numbers (SSNs) for active customers. It is PBGC's responsibility to protect the confidentiality, integrity, and availability of this information. Additionally, GAO has identified information security as a government-wide high-risk since 1997 and expanded the risk in 2015 to include protecting the privacy of PII. Protecting PBGC networks, systems, and data is a long-standing and continuing management challenge. For PBGC, a cyber incident could severely limit its capabilities to meet mission requirements, particularly during a crisis. In addition, cyber incidents could compromise sensitive business information and PII.

For FY 2022, PBGC's information security program was found to be *Effective*, its Information Security Continuous Monitoring function was assessed at *Optimized* and the remaining four Cybersecurity Framework functions were found to be *Managed and Measurable*. Our independent auditor assessed the maturity of PBGC's information security program using the FY 2022 IG Federal Information Security Modernization Act (FISMA) core metrics under OIG oversight. Based on a sample of six systems, the independent auditor noted improvements in *Information Security Continuous Monitoring* and *Supply Chain Risk Management*. The independent auditor identified weaknesses in *Configuration Management* and *Identity and Access Management* domains; however, these domains and PBGC's overall information security program remained *Effective*. Four new recommendations related to PBGC's *Configuration Management* and *Identity and Access Management* programs were issued in our FISMA report, bringing the total of current outstanding recommendations to eight. Since 2015, PBGC has reduced the number of recommendations by 90%, from 80 to 8.

Zero Trust Architecture

OMB Memorandum M-22-05 identified *Moving to a Zero Trust Architecture* as a key tenet to guide continued reforms under FISMA. Further, OMB Memorandum M-22-09, *Moving the U.S. Government Toward Zero Trust Cybersecurity Principles* (dated January 26, 2022) defined the Zero Trust Architecture (ZTA) Model as an environment in which "no actor, system, network, or service operating outside or within the security perimeter is trusted." M-22-09 defines five security objectives support CISA's Zero Trust Architecture Model:

- *Identity*: Federal staff have enterprise-managed accounts, allowing them to access applications while remaining reliably protected from targeted, sophisticated phishing attacks.
- *Devices*: The devices of federal staff are consistently tracked and monitored, and the

security posture of these devices is taken into account when granting access.

- *Networks:* Agency systems are isolated from each other, and the network traffic flowing between and within them is reliably encrypted.
- *Applications and Workloads:* Enterprise applications are tested internally and externally, and can be made available to staff securely over the internet.
- *Data:* Federal security teams and data teams work together to develop data categories and security rules to automatically detect and ultimately block unauthorized access to sensitive information.

M-22-09 requires agencies to achieve the objectives by the end of FY 2024. The Office of Information Technology (OIT) noted representatives from OMB and PBGC's executive leadership have been briefed on progress on implementing ZTA and OIT plans to brief the OIG during the 2023 FISMA Audit cycle.

Modernization of PBGC's Key Information Technology Systems

The modernization of legacy systems challenges agencies to prioritize IT spending to deliver better service to the public while enhancing mission effectiveness, reducing cybersecurity risks, and building a modern IT workforce. Along with infrastructure modernization projects, PBGC also needs to prioritize program office modernization projects to ensure they are strategically aligned, transparent, synchronized, and driven by performance-based data.



Benefit Calculation and Valuation (BCV) The BCV solution is used by PBGC's actuaries to determine participant benefits and calculate corporate liabilities for plans that PBGC will trustee. The BCV modernization, which will be completed in five phases with completion in FY 2026.

The modernization aims to close performance gaps, retire antiquated technology, reduce security issues, incorporate re-engineered processes, and integrate with other corporate systems while aligning with IT infrastructure. The modernized components are expected to connect to the centralized database, improve ease of use, improve data integrity and security, and ensure greater consistency and accuracy.

PBGC posts on its website the status of IT modernization projects and, as of February 2023, there are five ongoing modernization efforts detailed. In addition to the ongoing modernizations, planning for other efforts is ongoing. PBGC does have some remaining critical systems, like the Image Processing System and Spectrum, that are in need of modernization and planning is set for future years. These legacy systems will remain in the near term and do pose increased risk to exposure or obsolescence to the Corporation.

Acquisition Management System PBGC currently uses a combination of different commercial off-the-shelf products and Microsoft Office 365 tools for performing procurement activities. After months of analysis and market research PBGC has embarked on implementing a single integrated Software-as-a-Service solution (Technology), starting with a complete Business Process Engineering (Process),



and improving the way Acquisition Professionals (People) perform procurement functions. This seamless end-to-end procurement solution targets to modernize the procurement functions, strengthen management and internal controls with transparency, improve procurement and data integrity, and maintain continuous updates to technology and cybersecurity. This modernization effort is estimated to cost about \$11 million and be completed in FY 2025.

PBGC infrastructure and application modernization efforts continued to serve internal and external stakeholders. PBGC supported maximum telework with business units, such as the Office of Benefits Administration, continuing to exceed their production goals. The Corporation also launched a major new SFA program during the COVID-19 pandemic while awaiting the opening of its new headquarters in March 2023.

PBGC reported several modernization projects affecting key benefits and premium-related IT systems being on schedule, including Benefit Calculation and Valuation (BCV), the Acquisition Management System, the Transformational Pension Insurance Modeling System for the Single-Employer Program, transition to Internet Protocol Version 6, and the Office of Negotiations and Restructuring-Office of General Counsel Case Management Modernization. These efforts alone affect 5 of PBGC's 6 lines of business and have estimated costs of about \$37 million (for the current phase of efforts).

Case/Legal Management System. This project implements a Case/Legal Management System (CLMS) to modernize and replace the Risk and Early Warning Management and Legal Edge for Windows systems. This project continues PBGC's migration of mission critical applications to the Microsoft Azure Cloud and Microsoft Dynamics environments, replacing highly customized legacy systems with configurable solutions. This will improve PBGC operational efficiency through better data capture management and use. The current systems are used within the Office of Negotiations and Restructuring (ONR) and the Office of General Counsel to manage cases/legal matters and to provide document management and workflow functionality. They have reached end-of-service-life, are heavily customized and requires significant effort to maintain. To address these challenges, the project will migrate the existing capabilities to a new, modernized solution that will be based in the Microsoft Azure Cloud environment, maximize functionality, and utilize Microsoft Dynamics for core business functionality. This modernization was anticipated to cost about \$8 million and be completed in FY 2023; however, PBGC is currently reexamining the cost and schedule impact of the expanded scope.

PBGC officials explained that the agile process allows new technology to be delivered early in the project, which often results in an increase in scope as users re-envisioned their future process, technology use, user adoption, and end-to-end system during implementation. PBGC increased the scope of this project with functionality such as modernizing the public-facing eFiling Portal (with Login.gov), SFA requirements, new reports/functionality, data flow from new CLMS to old legacy CMS to preserve OBA's operations, and historical document migration, etc.

Transformational Pension Insurance Modeling System. PBGC is implementing a new Transformational Pension Insurance Modeling System (T-PIMS) for the Single-Employer (SE) Program to replace a 20+ year old legacy on-premises system. T-PIMS will use the latest cloud technology that improves modeling performance, scalability, stability, ease of maintenance, strengthen PBGC's security posture, and streamline maintenance and operations, while increasing the flexibility to respond to legislative/regulatory demands and throughput of economic forecasts and financial projections. The foundations of this project will enable future enhancements to address multiemployer models in the future. This modernization effort is estimated to cost \$10 million and be completed in FY 2024. The OIG has an ongoing engagement related to this modernization effort.

To mitigate some of the risks of modernization projects, PBGC reported using agile development methodologies and holding monthly or sprint-based executive briefings. PBGC plans to continue to use instruments such as Letters of Concern, Corrective Action Plans, CPARs ratings, etc. as a part of its overall risk management process. In addition, per suggestion from the OIG, PBGC OIT provided information related to project costs in the public domain for significant IT modernization efforts. This process was initiated with the ONR-OGC Case Management Modernization, Customer Relationship Management modernization effort, My Plan Administration Account update, BCV Phase I, and BCV Phase II, and will continue for future significant IT modernization efforts.

Since 2015, GAO has identified *Improving the Management of IT Acquisitions and Operations* as high-risk because “federal IT investments too frequently fail or incur cost overruns and schedule slippages while contributing little to mission-related outcomes. These investments often suffered from a lack of disciplined and effective management, such as project planning, requirements definition and program oversight and governance.” With PBGC conducting critical legacy system modernization, we continue to identify PBGC’s modernization efforts as a top management challenge and provide oversight in light of the critical nature of the systems, PBGC’s history of challenges in integrating its systems, and its reliance on professional services contract support.

Transparency and Accountability of Professional Services Contracting

PBGC is highly dependent on contractor staff to conduct its work, including reviewing SFA applications, providing IT support, developing and assessing internal controls, and calculating and paying pension benefits. The current PBGC workforce consists of just under 1,000 federal employees, who are supported by approximately 1,500 contractor employees. For example, OBA has approximately 260 federal employees supported by approximately 790 contractor staff. Within these totals, OBA's two primary field offices, which oversee day-to-day benefits administration activities, are staffed with approximately 400 contractor employees. In addition, OIT has approximately 120 federal employees and 410 contract staff to operate, maintain, and secure PBGC's network, systems, and services. This staffing model has raised concerns in the past regarding inherent governmental functions and the technical ability of a sufficient number of federal employees to effectively oversee contract deliverables.

PBGC relies on contractor staff for critical areas, including the SFA program for certain financially troubled multiemployer plans. ONR has over 70 contractors to support their review of SFA applications received from eligible multiemployer pension plans under ARP provisions. In addition, contractors are an important part of the PBGC workload influx plan in the event of a dramatic increase in plan failures because benefit calculations rely on contractors performing critical plan asset evaluations, participant data reviews, actuarial valuations services, and data collection.

Our office has raised concerns on numerous occasions about various acquisition issues related to professional services contracts, including insufficient oversight during the period of performance, acquisition planning delays, internal control weaknesses that allowed contract steering, and lack of follow-up on findings from contract close-out reports.

Most recently, our November 2022 evaluation of a hotline complaint identified a concern related to PBGC's oversight of labor-hour contracts. We found a Contracting Officer's Representative approved invoices without verifying supporting documentation for two task orders for plan asset evaluation services. As a result, the labor hours charged to the two task orders and paid by PBGC may not be accurate.

In addition, our June 2021 evaluation found that PBGC's acquisition planning for actuarial support services related to benefit calculations did not timely and effectively meet its needs. Delays in acquisition planning led PBGC to extend the previous contracts and award follow-on contracts on a sole-source basis.

After a former PBGC Procurement Department (PD) Director pled guilty to conspiracy to bribe a public official in May 2020, we initiated an audit to determine how procurement practices allowed awards to be steered, and if there were indications of steering in a sample of awards. In December 2020, we issued a report that found internal control deficiencies contributed to contract steering for one procurement support contract and avoidance of competition requirements for five other contracts, including four professional services contracts.

In addition, in September 2020 we reported on considerations of risk to the government and the contractor when selecting a contract. PBGC's use of cost-reimbursable and labor-hour type contracts increases its risk related to cost control and labor efficiency and increases the administrative burden of monitoring contractor performance. Consistent with long-standing federal policy, the agency should strive to use fixed-price or fixed-price incentive contracts to the maximum extent possible. We found PD did not administer the Cost-Plus-Award Fee contract for IT infrastructure operations and maintenance services in a manner consistent with the Federal Acquisition Regulations (FAR); this happened because PBGC did not adequately address the FAR suitability requirements when determining the appropriate contract vehicle.

Last, our March 2020 evaluation of a service contract to assist PD with a backlog of contract close-outs disclosed that PD did not perform adequate monitoring during the period of performance and did not follow up on findings from the contract close-out reports.

To its credit, PBGC implemented 21 of the 24 recommendations from these engagements since their issuance, and the remaining recommendations are not due at this time. Sufficient and effective oversight is a shared responsibility and this remains a top management challenge.

In Focus

Improvements to Social Security Administration’s Full Death Master File

During this reporting period, we researched published reports to increase our knowledge of the death reporting and recordkeeping processes in the United States. We learned that increased use of the Electronic Death Reporting System has led to more deaths listed in the Social Security Administration’s Full Death Master File. This is good news for many federal agencies, including PBGC, that use SSA’s file.

States and the SSA developed the Electronic Death Registration System to improve the accuracy and timeliness of reporting death information. Implementation of the new system began in 2004. One by one, Vital Records offices — state agencies responsible for collecting and maintaining death data — began implementing Electronic Death Registration Systems to report deaths to SSA. From 2016 to 2019, the number of deaths reported via an Electronic Death Registration System increased from approximately 80 percent to 93 percent of the total deaths in the United States. (Figure 1.) This increase is significant because once SSA verifies the death, it is added to the Full Death Master File, which is the database that federal benefit paying agencies rely upon for their computer death matching programs. Increasing the number of verified deaths in SSA’s Full Death Master File improves the probability that a computer death match program, such as the one used by PBGC, identifies deceased beneficiaries.

The increase in the number of deaths included in SSA’s Full Death Master File is helpful to federal benefit paying agencies. Nevertheless, we also sought additional tools and death databases to enhance and strengthen our death matching program. During this reporting cycle, we reached out to states willing to share respective death databases, and registered for access to the U.S. Treasury’s Do Not Pay system. Access to this system allows us to search additional deceased data sources, including obituary and probate court records, the Electronic Verification of Vital Events Fact of Death system, State

Electronic Death Registration System Reporting



Figure 1: Increase in the number of deaths that Vital Records offices reported via the Electronic Death Registration System.

Department death records, and Defense Department death records. Accessing multiple deceased data sources will strengthen our death matching program and expand our capacity to prevent fraud, waste, and abuse or improper payments to deceased participants in both the single-employer and multiemployer programs.

Audits, Evaluations, and Reviews

Summary of Performance

Category	Number
Open Recommendations Beginning of Period	35
Opened this Period	29
Closed this Period	19
Open Recommendations End of Period	45
Reports with Open Recommendations End of Period	13

Financial Audits and Related Work

[Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2022 and 2021 Financial Statements](#)

AUD-2023-02, issued November 15, 2022

The Office of Inspector General issued the audit report of the financial statements of the Single-Employer and Multiemployer Program Funds administered by the PBGC as of and for the years ended September 30, 2022 and 2021, finding:

- The financial statements present fairly, in all material respects, the financial position of the Single-Employer and Multiemployer Program Funds and the results of their operations and cash flows for the years then ended.
- PBGC maintained, in all material respects, effective internal control over financial reporting as of September 30, 2022.
- No instances of noncompliance or other matters with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements.

[Audit of the Pension Benefit Guaranty Corporation's Limited Purpose Financial Statements Report Fiscal Year 2022 and 2021](#)

AUD-2023-03, issued November 15, 2022

This limited purpose financial statement report was prepared to meet applicable legal requirements and is in accordance with and pursuant to the provisions of: the Government Corporation Control Act, 31 U.S.C. § 9106; Circular No. A-11, Revised, "Preparation, Submission and Execution of the Budget," Office of Management and Budget, August 15, 2022;

and Circular No. A-136 Revised, Financial Reporting Requirements (i.e., Government Corporations are only required to adhere to Section I.5 and Section V, and PBGC voluntarily complies with Section II.2.4) Office of Management and Budget, June 3, 2022. Section 4008 of the Employee Retirement Income Security Act of 1974 (ERISA), 29 U.S.C. § 1308, also requires an actuarial report evaluating expected operations and claims that will be issued as soon as practicable.

The Office of Inspector General issued the audit report of PBGC's Limited Purpose Financial Statements that includes Note 38 (formerly Note 45) in the Supplemental Information for the years ended September 30, 2022 and 2021, finding:

- The financial statements present fairly, in all material respects, the financial position of the Single-Employer and Multiemployer Program Funds and the results of their operations and cash flows for the years then ended. The Supplemental Information is fairly stated, in all material respects, in relation to the financial statements as a whole.
- PBGC maintained, in all material respects, effective internal control over financial reporting as of September 30, 2022.
- No instances of noncompliance or other matters with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements.

[Pension Benefit Guaranty Corporation's Implementation of the Federal Information Security Modernization Act of 2014 for FY 2022](#)

AUD-2023-06, issued January 9, 2023

We contracted with Ernst and Young, LLP (EY) to evaluate, as required by FISMA, PBGC's information security program. EY reviewed a sample of six systems and completed fieldwork to address the FY 2022 IG FISMA Core Metrics developed by OMB, Department of Homeland Security, and the Council of the Inspectors General on Integrity and Efficiency. EY noted improvements in *Information Security Continuous Monitoring* and *Supply Chain Risk Management*. Weaknesses in *Configuration Management* and *Identity and Access Management* domains were identified. However, these domains and PBGC's overall information security program remained *effective*. PBGC's Information Security Continuous Monitoring function was assessed at *optimized*, and the remaining four Cybersecurity Framework functions were found to be *managed and measurable*. In their report, EY issued four new recommendations related to PBGC's configuration management, and identity and access management programs.

Fiscal Year 2022 Financial Statement Audit Management Letter Report

AUD-2023-07, issued January 13, 2023

We contracted with EY, an independent certified public accounting firm, to perform the audit. This management letter summarizes EY's findings and recommendations related to PBGC's internal control deficiencies and other matters. The issues noted in this report are not significant and, therefore, the deficiencies were not required to be reported in the Independent Auditor's Report (AUD-2023-02) issued on November 15, 2022. In FY 2022, EY issued 9 new recommendations and closed 5 prior years' recommendations, with the total of 16 open recommendations remaining at the end of FY 2022. EY will continue working with PBGC to resolve these recommendations.

Evaluations and Special Reports

Evaluation of Hotline Complaints Regarding a PBGC Contract

EVAL-2023-04, issued November 22, 2022

We received two hotline complaints alleging fraud in a PBGC contract. We evaluated whether the allegations have merit and warranted management attention. We determined the fraud allegations were unsubstantiated. However, we identified a concern related to PBGC's oversight of the labor-hour contracts that warranted management action. We found a Contracting Officer's Representative (COR) approved invoices without verifying supporting documentation. As a result of the lack of adequate COR oversight, the labor hours charged to two task orders and paid by PBGC may not be accurate.

PBGC Should Improve Its Special Financial Assistance Review Procedures

EVAL-2023-08, issued February 24, 2023

We evaluated whether PBGC's policies, procedures and controls were sufficient to deliver timely and appropriate SFA to eligible multiemployer plans and to determine the adequacy of the procedures PBGC used in identifying plans eligible for SFA. While PBGC quickly drafted SFA regulations after ARP passed, as required, and launched the SFA program, the Corporation did not formally assess and document fraud risks, sufficiently define risk tolerances, establish review procedures for exceptions, formalize final review procedures, or design a control that would ensure timely review of SFA applications. As such, current procedures are not sufficient to ensure timely delivery of accurate SFA amounts to eligible plans. In addition, while procedures are adequate for identifying plans eligible for SFA in priority groups, additional procedures are needed as the priority group period ends.

PBGC Should Exclude Deceased Terminated Vested Participants from SFA Calculations

EVAL-2023-05, issued March 22, 2023

PBGC approved SFA applications that may have included deceased participants in the terminated vested populations, resulting in a possible overpayment of SFA funds. PBGC did not consider available information, such as results of a death audit performed by the Multiemployer Program Division, in its review of applications. In addition, for plans with changed exclusion assumptions, additional requirements were not sufficient to identify deceased terminated vested participants in the applications and reduce the associated SFA amounts. As a result, we estimate \$6 million in possible improper payments for four of the five plans reviewed.

Although PBGC has recently made progress to reduce the risk of improper payments by requiring a death match report (under the Final Rule), it did not add affirmative requirements that would ensure deceased participants are excluded from SFA applications. As a result, PBGC could continue making overpayments for SFA to multiemployer plans. We made six recommendations to improve the quality of SFA estimates and approvals related to potential deceased participants in the terminated vested populations. PBGC management agreed with all six recommendations. We concur with PBGC's proposed corrective actions for 5 of the 6 recommendations. For recommendation 2, we will work with PBGC to reach a management decision on the recommendation through the audit resolution process. We commend PBGC for agreeing with our recommendations and working to protect taxpayer dollars. We do encourage PBGC management to complete the recommendations as soon as possible, given the short lifetime of the application and payment process for the program. Because PBGC is dependent on OMB review and approval, we suggest PBGC leverage OMB expedited review as detailed in OMB memorandum M-21-4, *Promoting Public Trust in the Federal Government and Effective Policy Implementation through Interagency Review and Coordination of the American Rescue Plan Act*, dated April 26, 2021.

OIG Special Report PBGC Security Assessment Report

SR-2023-01, issued November 8, 2022

During the financial statement audit, independent public accountant EY assessed PBGC's network for technical weaknesses that may allow employees or outsiders to cause harm or impact PBGC's business processes and information. This report included no formal recommendations as they were consolidated and presented in the FY2022 FISMA report. The OIG determined that this report is for official use only. The report detailing the security assessment was redacted in its entirety because it contained privileged and confidential information.

On-Going Evaluations and Related Work

[PBGC's Fiscal Year 2022 Compliance with the Payment Integrity Information Act of 2019](#)

Project No. EV-23-170, announced on December 1, 2022

We initiated this engagement to determine if PBGC complied with the Payment Integrity Information Act of 2019 (PIIA) for Fiscal Year 2022. We expect to issue the report by May 15, 2023.

[Evaluation of PBGC's Oversight of Single-Employer Pension Insurance Modeling System \(SE PIMS\) Modernization and Development Contracts](#)

Project EV-23-171, announced on January 12, 2023

We initiated this engagement to determine if PBGC's oversight of the modernization and development contracts for SE PIMS was in conformance with federal and PBGC regulations. We expect to issue this report by August 31, 2023.

[Limited Scope Evaluation of the Impact of GAO's Decision on the Use of a Bifurcated Interest Rate for Special Financial Assistance](#)

Project EV-23-173, announced on February 1, 2023

In August 2022, our office requested an opinion from GAO regarding PBGC's use of a bifurcated interest rate in its Final Rule for the SFA program. This engagement will summarize our request and inform stakeholders of the GAO decision and any resulting findings or recommendations.

[Limited Scope Evaluation of Projected Benefit Payments in Selected SFA Applications](#)

Project EV-23-172, announced on February 8, 2023

We initiated an engagement on PBGC's SFA program to determine if projected benefit payments are consistently identified, evaluated against appropriate criteria, and documented. We expect to issue the report in Fall 2023.

Investigative Activities

Summary of Performance

Criminal Action	Federal	State or Local
Indictments	0	0
Informations	0	0
Convictions	2	1
Sentencings	1	1

During this reporting period, we continued to address the integrity of PBGC operations. We focused investigative resources on deceased participant fraud and SFA outreach, and assisted PBGC participants who contacted the OIG Hotline regarding their pension benefits.

Wisconsin Man Pled Guilty and Sentenced for Impersonating PBGC Participant to Steal Pension Benefits.

On October 10, 2022, a 51-year-old Wisconsin man entered a guilty plea in the Waukesha County Circuit Court to one felony count of Wisconsin state charges related to identity theft. The plea was a result of a criminal complaint alleging he stole the identity of his 79-year-old father, who is a PBGC participant. On one occasion, the defendant took possession of his father's PBGC monthly check, identified himself as his father to a financial institution, and negotiated the check for personal financial gain. The defendant was sentenced to 9 months of incarceration at the Waukesha County Huber Facility, and 2-years' probation. Additionally, PBGC was granted restitution in the amount of \$622.

Apex, North Carolina Woman Pled Guilty to Conversion of Government Funds.

On November 2, 2022, a 67-year-old Apex, North Carolina woman pled guilty to theft of government funds in the U.S. District Court for the Eastern District of North Carolina. The defendant collected her father's Office of Personal Management (OPM) and PBGC pension benefits after he passed away in December 2005. Neither PBGC, nor OPM, received notice that her father was deceased; therefore, PBGC continued to pay benefits until 2017 and OPM benefits were paid until 2020. In total, the defendant collected and spent approximately \$339,000 in U.S. government benefits she was not entitled to receive. A portion of this money was spent on cruise vacations and a life insurance policy for the defendant. Sentencing is scheduled for April 11, 2023.

Manchester, New Hampshire Woman Charged with Theft of Public Funds and Identity Theft.

On December 1, 2022, a 56-year-old Manchester, New Hampshire woman was charged, via criminal complaint, in the State of Connecticut, Superior Court with identity theft, larceny of public funds, and forgery. An extraditable arrest warrant was issued in conjunction with the complaint, and the defendant was arrested on January 1, 2023, by the Manchester Police Department.

The defendant was a family friend of a PBGC participant who passed away in August 2015. After the participant's death, the defendant impersonated the participant in an effort to conceal the death from PBGC. The defendant created an email in the participant's name, opened a bank account with the participant's personal information, and forged official documents. From September 2015 through June 2021, the defendant took possession of approximately \$10,000 in errant PBGC benefits by impersonating the deceased participant. On May 17, 2023, the defendant is scheduled for a plea hearing in Connecticut Superior Court, Litchfield District.

This investigation was conducted by the OIG and the Torrington, Connecticut Police Department with the assistance of SSA's Office of Inspector General. The investigation was based on an Office of Benefits Administration referral to the OIG.

Second Philadelphia, Pennsylvania Woman Charged for Conversion of Government Funds.

On February 14, 2023, a 46-year-old Philadelphia, Pennsylvania woman was formally charged by the Department of Justice with one count of conversion of government funds. On March 7, 2023, the defendant entered a guilty plea to the charge for fraudulently collecting her deceased father's PBGC pension benefits after he passed away in July 2011.

From at least January 2016 through December 2019, in the Eastern District of Pennsylvania, the defendant converted approximately \$22,000 in PBGC pension benefits for her own use that she knew she was not entitled to. PBGC did not receive notice of the defendant's father's death and continued to pay monthly benefits to the deceased participant until December 2019.

This case was initiated because of an internal referral from the PBGC Office of Benefits Administration and concerned a second defendant identified as the deceased participant.

Wilkes Barre, Pennsylvania Woman Sentenced for Theft of Government Funds.

On April 4, 2022, a 59-year-old Wilkes Barre, Pennsylvania woman pleaded guilty to a charge of theft of government money in the U.S. District Court for the Middle District of Pennsylvania.

The defendant was the caretaker to a PBGC participant who passed away in March 2019. After the participant's death, and continuing through March 2020, the defendant took possession and expended approximately \$9,000 in errant PBGC benefits. On February 10, 2023, the defendant was sentenced to two years supervised probation. Additionally, the defendant was ordered to pay full restitution to PBGC, in the amount of \$8,950.68. This investigation was conducted by the OIG with the assistance of the Social Security Administration's Office of Inspector General. The investigation was based on an Office of Benefits Administration referral to the OIG.

PBGC Laptop Recovered After Investigation for Theft of Government Property.

On February 13, 2023, the PBGC Information Technology Infrastructure Management Division reported that a separated PBGC employee failed to return, as required, a PBGC laptop.

On March 6, 2023, an OIG Investigator attempted to contact the former employee at her known address in Philadelphia and via phone and email. After numerous unsuccessful attempts to recover the laptop, the Office of Investigations had reasonable grounds to believe that a violation of federal criminal law occurred. Therefore, the matter was presented to the U.S. Attorney's Office (USAO) for the District of Columbia for prosecution.

The USAO requested a final attempt be made by OIG to contact and retrieve the laptop from the former employee. Therefore, on March 20, 2023, we informed the former employee that she had until March 24, 2023, to return the laptop, and if not returned, OIG was obligated to report the matter to the USAO as theft of government property. On March 24, 2023, the former employee advised the OIG the laptop was returned to the PBGC IT Asset Management team.

Deceased Participants Program.

The OIG continues efforts under our fraud detection/computer matching initiative to identify deceased participants in the single-employer and multiemployer programs. The OIG identified improper payment or fraud relating to deceased participants in the single-employer and multiemployer programs and referred those cases to PBGC to terminate benefit payments and seek recoupment. As of March 31, 2023, PBGC OIG identified \$266,000 in improper payments or fraud relating to deceased participants for FY 2023.

Special Financial Assistance Outreach.

To prepare for investigative activities that may develop from PBGC's SFA program, we held meetings with officials from the Department of Labor's Employee Benefits Security Administration. During these meetings, OIG provided information about the SFA program, including the mechanics of the program and our oversight plans, and we discussed fraud and

other program risks. The meetings served to develop a line of communication and coordination for future actions.

OIG Hotline

The OIG Hotline serves as a tool to report fraud, waste, and abuse, but also provides a method for participants to report missing benefits, seek assistance with applying for benefits and report mistreatment by a caregiver or family member.

Senior Government Employee Substantiated Misconduct Investigations

During this reporting period, we did not complete any investigations involving a senior government employee³ where we substantiated an allegation of misconduct.

Instances of Whistleblower Retaliation

We did not complete any investigations of whistleblower retaliation during this reporting period.

Congressional Requests

During this reporting period, we did not receive any Congressional requests.

Other OIG Statutory Reporting

Access to Information

Section 6(a) of the Inspector General Act grants the Inspector General access to all agency records, information, or assistance when engaged in an investigation or audit. Whenever access to requested records, information or assistance is unreasonably refused or not provided, the Inspector General must promptly report the denial to the agency head. We have not been denied access, nor has assistance been unreasonably refused during this reporting period.

³ “[A]n officer or employee in the executive branch (including a special Government employee as defined in section 202 of title 18, United States Code) who occupies a position classified at or above GS–15 of the General Schedule or, in the case of positions not under the General Schedule, for which the rate of basic pay is equal to or greater than 120 percent of the minimum rate of basic pay payable for GS–15 of the General Schedule[.]”
5 U.S.C. App. 3, § 5(f)(7).

Interference with Independence

During the reporting period, PBGC did not attempt to, or actually interfere with, our independence by creating budget constraints to limit our capabilities, nor were there any incidents where PBGC resisted our oversight or delayed our access to information, including the justification of the establishment for such action.

Outstanding Management Comment and Unimplemented Recommendations

There were no audit, inspection, or evaluation reports issued: (1) for which no management comment was returned within 60 days of being provided with the report and (2) for which there were outstanding unimplemented recommendations.

Management Decisions

There were no significant revised management decisions and no management decisions of a material nature with which we did not agree.

Compliance with Federal Financial Management Improvement Act

PBGC is in compliance with the Federal Financial Management Improvement Act.

Review of Proposed Statutory and Regulatory Changes

Under the IG Act, the OIG is responsible for reviewing PBGC's proposed changes to laws and regulations. During this reporting period, we did not review or provide comment on any proposed changes to laws or regulatory actions.

Peer Reviews

Inspections and Evaluations. As adopted and approved by the majority of the CIGIE membership, OIGs with an Inspection and Evaluation (I&E) organization that conducts I&Es in accordance with the Blue Book must undergo an external peer review every three years. The PBGC OIG underwent a review for the period ending June 30, 2020. The review was led by AmeriCorps OIG. The review team assessed the extent to which the PBGC OIG met the seven CIGIE Quality Standards for I&E. This assessment included a review of PBGC OIG's policies and procedures. The review team also analyzed three I&E reports issued between July 1, 2019 and June 30, 2020, to determine whether the reports complied with the covered

Blue Book standards and PBGC OIG internal policies and procedures. The review team determined the PBGC OIG policies and procedures, and the three reports reviewed generally met the seven Blue Book standards. There are no outstanding recommendations from the review. The peer review report is posted on our website at <https://oig.pbgc.gov/reviews.html>.

The PBGC OIG conducted a peer review of the Equal Employment Opportunity Commission's (EEOC) OIG's I&E organization for the three-year period ending September 30, 2022, to assess the extent to which EEOC OIG met the seven CIGIE Quality Standards for I&E. The review team analyzed EEOC OIG's policies and procedures as well as three reports and determined that the EEOC OIG generally met the seven Quality Standards for I&E. There are no outstanding recommendations from the review. The PBGC OIG issued the peer review report to the EEOC OIG on March 15, 2023.

Audit. *Generally Accepted Government Auditing Standards* require each audit organization to obtain an external review of its system of quality control every three years and make the results publicly available. In June 2022, a peer review was completed by the OIG for the Board of Governors of the Federal Reserve System and the Bureau of Consumer Financial Protection for the period ending September 30, 2021. The reviewing OIG found the PBGC OIG's system of quality control for the audit organization for the year ended September 30, 2021, "has been suitably designed and complied with to provide the PBGC OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards and applicable legal and regulatory requirements in all material respects." Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. The PBGC OIG received an external peer review rating of *pass*. There are no outstanding recommendations from this review. A copy of this peer review is on our website at <https://oig.pbgc.gov/pdfs/PeerReview2021.pdf>.

Investigations. During this period, the PBGC OIG Office of Investigations conducted a peer review of the Office of Inspector General for the National Archives and Records Administration (NARA). The review involved an assessment of the system of internal safeguards and management procedures for the investigative operations NARA had in effect for the period ending December 31, 2022. Our review was conducted in conformity with the Quality Standards for Investigations and the Qualitative Assessment Review Guidelines established by the Council of the Inspectors General on Integrity and Efficiency. In performing our review, we also considered the Attorney General's Guidelines for Office of Inspectors General with Statutory Law Enforcement Authority and Section 6(e) of the Inspector General Act of 1978, as restated (5 U.S.C. § 401-424). The system of internal safeguards and management procedures for the investigative function of the NARA OIG in effect for the year ended December 31, 2022, were in compliance with the quality standards established by the CIGIE and the other applicable guidelines and statutes cited above.

Our next peer review is set for Summer 2024.

Restricted Access Audit, Inspection or Evaluation Reports

With limited exceptions, we post all audit, inspection, and evaluation reports on our website within three days of issuing the final report to PBGC. We generally do not provide or post on our website the full text of reports that would disclose specific vulnerabilities that could be exploited; typically, such reports are IT-related.

We use restricted disclosure and other non-public audit, inspection, or evaluation reports to communicate that we have conducted work on sensitive subject matters. However, in lieu of posting full text reports, we post a high-level summary or redacted version, and summarize sensitive matters in our Semiannual Reports to Congress.

During this period, we posted [one restricted access](#) audit, inspection, or evaluation report.

APPENDICES

Cross-Reference to Reporting Requirements of the Inspector General Act

Inspector General Act Reference	Reporting Requirements	Page(s)
Section 4(a)(2)	Review existing and proposed legislation and regulations and make recommendations, including in the semiannual reports required by section 5(a), concerning the impact of the legislation and regulations on the economy and efficiency in the administration of programs and operations administered or financed by the establishment or the prevention and detection of fraud and abuse in the programs and operations.	33
Section 5(a)(1)	Significant problems, abuses, and deficiencies relating to the administration of programs and operations of the establishment and associated reports and recommendations for corrective action.	14-32
Section 5(a)(2)	Each recommendation made before the reporting period, for which corrective action has not been completed, including the potential costs savings associated with the recommendation.	44-50
Section 5(a)(3)	Summary of significant investigations closed during the reporting period.	29-31
Section 5(a)(4)	Total number of convictions resulting from investigation.	39
Section 5(a)(5)	Information regarding each audit, inspection, or evaluation report issued, including-- (A) a listing of each audit, inspection, or evaluation; (B) if applicable, the total dollar value of questioned costs (including a separate category for the dollar value of unsupported costs) and the dollar value of recommendations that funds be put to better use, including whether a management decision had been made by the end of the reporting period.	42-43
Section 5(a)(6)	Information regarding any management decision made during the reporting period with respect to any audit, inspection, or evaluation issued during a previous reporting period.	24-27
Section 5(a)(7)	Compliance with Federal Financial Management Improvement Act.	33
Section 5(a)(8)	(A) Results of any peer review conducted by another OIG; or (B) if no peer review was conducted within the reporting period, a statement identifying the date of the last peer review conducted by another OIG.	33-35
Section 5(a)(9)	Outstanding recommendations from any peer review conducted by another OIG that have not been fully implemented and why implementation is not complete.	33-35
Section 5(a)(10)	A list of peer reviews performed by the IG on another OIG during the reporting period, including a list of any outstanding recommendations made from any previous peer review that remain outstanding or have not been fully implemented.	33-35

Section 5(a)(11)	Statistical tables showing the following for this reporting period — (A) number of investigative reports issued; (B) number of persons referred to the Department of Justice for criminal prosecution; (C) number of persons referred to State and local prosecuting authorities for criminal prosecution; and (D) number of indictments and criminal informations that resulted from any prior referral to prosecuting authorities.	38-39
Section 5(a)(12)	Description of the metrics used for developing the data for the statistical tables under paragraph (11).	40
Section 5(a)(13)	Report on each investigation where allegations of misconduct were substantiated involving a senior Government employee or senior official, which shall include — (A) the name of the senior Government employee, if already made public by the Office; and (B) a detailed description of — (i) the facts and circumstances of the investigation; and (ii) the status and disposition of the matter, including — (I) if the matter was referred to the Department of Justice, the date of the referral; and (II) if the Department of Justice declined the referral, the date of the declination.	32
Section 5(a)(14)	(A) Any instance of whistleblower retaliation, including information about the official found to have engaged in retaliation; and (B) what, if any, consequences the establishment actually imposed to hold the official accountable.	32
Section 5(a)(15)	Information related to interference by the establishment, including — (A) any attempt by the establishment to interfere with the independence of the Office, Including — (i) with budget constraints designed to limit the capabilities of the Office; and (ii) incidents where the establishment has resisted or objected to oversight activities of the Office or restricted or significantly delayed access to information, including the justification of the establishment for such action; and (B) a summary of each report made to the head of the establishment under section 6(c)(2) during the reporting period.	33
Section 5(a)(16)	The particular circumstances of each — (A) inspection, evaluation, and audit that is closed and was not disclosed to the public; and (B) investigation involving a senior Government employee that is closed and was not disclosed to the public.	35

Statistical Summary of Audit and Investigative Activities

For the Six-Month Period Ending March 31, 2023

Audits/Inspections/Evaluations Issued	
Number of Reports	7
Number of Recommendations	29
Special Reports Issued	
Number of Reports	1
Number of Recommendations	0
Investigative Reports Issued	
Number of Reports	0
Number of Recommendations	0
Open Recommendations	
Open Recommendations Beginning of Period	35
Opened This Period	29
Closed This Period	19
Open Recommendations End of Period	45
Reports with Open Recommendations End of Period	13

Investigative Workload	
Investigations Opened	17
Investigations Closed	23

Persons Referred for Prosecution	Federal Prosecutions	State or Local Prosecutions
Presented	4	0
Accepted	2	0
Declined	2	2

Criminal Actions	Federal Prosecutions	State or Local Prosecutions
Indictments	0	0
Informations	0	0
Criminal Complaints	0	1
Arrests	0	1
Convictions	2	1
Nolo Contenderes/Proffer	0	0
Sentencings	1	1

Financial Recoveries	Federal Prosecutions	State or Local Prosecutions
Court Ordered Fines, Penalties, and Restitution	\$8,950.68	\$622.00

Administrative Actions	
Debarments	0
Administrative Recoveries	\$31,420.62

We used the following metrics to develop the data for the statistical tables above:

- The number of investigative reports issued is based on those reports sent to management for action. This number does not include investigations closed without a referral to management for action.
- The number of persons referred for prosecution includes any person or corporation that was referred to the U.S. Department of Justice, or state, or local authorities for consideration of criminal prosecution.
- The number of criminal actions includes indictments, informations, criminal complaints, convictions, nolo contendere, and sentencings brought against a person or corporation based on prior referrals to prosecution authorities.

Previously Reported Significant Recommendations For Which Corrective Action Has Not Been Taken

For the Six-Month Period Ending March 31, 2023

Report Number, Report Title, and Date Issued	Number of Significant Recommendations	Significant Problems and Deficiencies	Summary of Significant Recommendations
	None	None	

Results of Reports Issued

For the Six-Month Period Ending March 31, 2023

Results	Number of Reports	Questioned Costs	Unsupported Costs	Funds Put to Better Use (FPBU)
A. For which no management decision had been made by the commencement of the reporting period.	0	\$0	\$0	\$0
B. Which were issued during the reporting period.	8	\$6,000,000	\$0	\$0
PBGC Security Assessment Report		\$0	\$0	\$0
Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2022 and 2021 Financial Statements		\$0	\$0	\$0
Audit of Pension Benefit Guaranty Corporation's Limited Purpose Financial Statements for Fiscal Year 2022 and 2021		\$0	\$0	\$0
Evaluation of Hotline Complaints Regarding a PBGC Contract		\$0	\$0	\$0
PBGC Should Exclude Deceased Terminated Vested Participants from SFA Calculations		\$6,000,000	\$0	\$0
Pension Benefit Guaranty Corporation's Implementation of the Federal Information Security Modernization Act of 2014 for FY 2022		\$0	\$0	\$0
Fiscal Year 2022 Financial Statement Audit Management Letter Report		\$0	\$0	\$0
PBGC Should Improve Its Special Financial Assistance Review Procedures		\$0	\$0	\$0
Total (Add A. & B.)	8	\$6,000,000	\$0	\$0
C. For which a management decision was made during the reporting period.	0			
(i) dollar value of disallowed costs		\$0	\$0	\$0
(ii) dollar value of costs not disallowed		\$0	\$0	\$0
(iii) dollar value FPBU agreed to		\$0	\$0	\$0

(iv) dollar value FPBU not agreed to		\$0	\$0	\$0
D. For which no management decision had been made by the end of the reporting period.	1	\$6,000,000	\$0	\$0
E. For which no management decision was made within six months of issuance.	0	\$0	\$0	\$0

Summary of PBGC Open Recommendations

As of March 31, 2023

	Recommendation Number	Date Issued	Report Title and Recommendation
1	2019-14-02 (prior OIT-174)	9/27/2019	PBGC's Property Management Program. Perform a risk assessment on assets not located during the annual inventory and follow-up on assets that are deemed <i>high risk</i> .
2	2021-01-02	12/08/2020	Internal Controls Must Be Strengthened to Promote Procurement Integrity. Develop and implement a mechanism in an electronic system to ensure that contract actions that require legal reviews according to PBGC policy receive these reviews and that disagreements with legal sufficiency comments are communicated to OGC.
3	2021-02-10	12/09/2020	Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2020 and 2019 Financial Statements. Increase the frequency of the periodic review of users with known separation of duties violation to determine management concurrence with the appropriateness of the access and their risk acceptance.
4	2021-06-01	2/1/2021	Fiscal Year 2020 Financial Statement Audit Management Letter Report. Conduct an experience study over the spouse age difference for seriatim and phase out liability for unlocatable missing participant assumptions.
5	2021-06-02	2/1/2021	Fiscal Year 2020 Financial Statement Audit Management Letter Report. Document rationale for and/or update the seriatim marital status and smoothing adjustment for lump sum benefit projections assumptions.
6	2022-04-01	01/07/2022	PBGC Can Improve the Effectiveness of the Missing Participants Program. Establish objective, quantifiable, and measurable performance goals for the program as required by OMB Circular No. A-11, Part 6, and develop performance measures to track progress in achieving them.
7	2022-04-03	01/07/2022	PBGC Can Improve the Effectiveness of the Missing Participants Program. Improve data management practices to ensure data reliability for tracking and reporting on the MP status, including search activity efforts.
8	2022-04-05	01/07/2022	PBGC Can Improve the Effectiveness of the Missing Participants Program. Periodically review policies, procedures for continued relevance and effectiveness in achieving the MPP mission.

9	2022-06-01	01/14/2022	<p>Fiscal Year 2021 Financial Statement Audit Management Letter Report.</p> <p>PBGC should implement procedures to periodically analyze the participant/beneficiary data to identify significant and unusual or abnormal changes. From this type of activity, PBGC should investigate participants to validate the reasonableness for the change and the adequacy of the data used for benefit calculation and liability determination and make corrections to the participant data as necessary.</p>
10	2022-06-02	01/14/2022	<p>Fiscal Year 2021 Financial Statement Audit Management Letter Report.</p> <p>Conduct in depth follow-up experience study mentioned within the rationale memorandum over expected retirement age versus actual retirement age and implement changes/updates to the assumption based on study results.</p>
11	2022-06-03	01/14/2022	<p>Fiscal Year 2021 Financial Statement Audit Management Letter Report.</p> <p>Implement procedures to formally retain review documentation over internal controls that evidences how the review steps were performed and how conclusions (especially judgmental decisions) were drawn. Examples would be tick marks, text boxes, comments, recalculations, reconciliations, supporting files researched, etc.</p>
12	2022-06-04	01/14/2022	<p>Fiscal Year 2021 Financial Statement Audit Management Letter Report.</p> <p>PBGC currently documents review evidence through the use of checklists, email support, and signatures, however, the details around how the review steps are executed (ex: reconciling two numbers from certain documents) is often not formally documented as part of the control performance. We recommend PBGC develop more detailed checklists that outline how steps are completed and not just what needs to be completed.</p>
13	2022-10-01	04/04/2022	<p>Evaluation of PBGC's Purchase Card Program.</p> <p>Review the transactions we identified for which PBGC paid sales taxes and (a) determine whether it is economically feasible to obtain refunds and (b) if determined to be economically feasible, obtain refunds for those transactions.</p>
14	2022-10-02	04/04/2022	<p>Evaluation of PBGC's Purchase Card Program.</p> <p>Incorporate Federal and PBGC policies regarding paying sales taxes into annual training for cardholders and Authorizing Officials.</p>
15	2022-10-03	04/04/2022	<p>Evaluation of PBGC's Purchase Card Program.</p> <p>Update the SharePoint records whenever documents are updated, or new documents are created.</p>

16	2022-11-01	05/12/2022	<p>Evaluation of PBGC's Fiscal Year 2021 Compliance with the Payment Integrity Information Act of 2019. 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.</p>
17	2023-04-01	11/22/2022	<p>Evaluation of Hotline Complaints regarding a PBGC Contract. Establish controls to monitor COR reviews of contractor invoices and supporting documents.</p>
18	2023-04-02	11/22/2022	<p>Evaluation of Hotline Complaints regarding a PBGC Contract. In coordination with PD, train CORs to properly review supporting documents before they approve or reject contractor invoices.</p>
19	2023-05-01	03/22/2023	<p>PBGC Should Exclude Deceased Terminated Vested Participants from Special Financial Assistance Calculations. Update the review procedures for insolvent plans who apply for SFA and determine where corroborating information could be used to determine if deceased participants are included in the SFA calculations.</p>
20	2023-05-02	03/22/2023	<p>PBGC Should Exclude Deceased Terminated Vested Participants from Special Financial Assistance Calculations. For SFA applications that were approved under the Interim Final Rule, PBGC should implement procedures to verify SFA payments did not include questioned cost for deceased individuals and recover overpayments.</p>
21	2023-05-03	03/22/2023	<p>PBGC Should Exclude Deceased Terminated Vested Participants from Special Financial Assistance Calculations. Review OMB guidance for Improper Payments and take steps that may be necessary to ensure proper reporting and monitoring of SFA payments, including an off-cycle risk assessment.</p>
22	2023-05-04	03/22/2023	<p>PBGC Should Exclude Deceased Terminated Vested Participants from Special Financial Assistance Calculations. Update application instructions to include detailed guidance on how deceased participants should be handled by plans and supporting information to be submitted.</p>
23	2023-05-05	03/22/2023	<p>PBGC Should Exclude Deceased Terminated Vested Participants from Special Financial Assistance Calculations. Update MEPD & NRAD procedures to include steps to ensure deceased participants are excluded from SFA calculations.</p>

24	2023-05-06	03/22/2023	<p>PBGC Should Exclude Deceased Terminated Vested Participants from Special Financial Assistance Calculations.</p> <p>For the changes in requirements from the Interim to the Final Rule, determine the impact on plan application guidance or PBGC analysis of SFA applications and update or develop the associated guidance.</p>
25	2023-06-01	01/09/2023	<p>Pension Benefit Guaranty Corporation's Implementation of the Federal Information Security Modernization Act of 2014 for FY 2022.</p> <p>Disable less secure security authentication protocols on applicable servers and, where not possible, implement mitigating solutions.</p>
26	2023-06-02	01/09/2023	<p>Pension Benefit Guaranty Corporation's Implementation of the Federal Information Security Modernization Act of 2014 for FY 2022.</p> <p>Users with multiple accounts of different privilege levels should be educated about the risks of reusing passwords for privileged accounts. Procedures for issuing privileged accounts should include language requiring the account be configured with a unique password, at all times. Additionally, consider auditing privileged account passwords for password reuse on a regular basis.</p>
27	2023-06-03	01/09/2023	<p>Pension Benefit Guaranty Corporation's Implementation of the Federal Information Security Modernization Act of 2014 for FY 2022.</p> <p>Create separate accounts with the least privileges required to perform administrative tasks on hosts that are not domain controllers.</p>
28	2023-06-04	01/09/2023	<p>Pension Benefit Guaranty Corporation's Implementation of the Federal Information Security Modernization Act of 2014 for FY 2022.</p> <p>PBGC should evaluate the privileges associated with accounts configured to run critical services following the least privilege model so that service accounts are assigned the minimum level of privileges needed to perform their individual function. Additionally, PBGC should assign strong passwords to service accounts.</p>
29	2023-07-01	01/13/2023	<p>Fiscal Year 2022 Financial Statement Audit Management Letter.</p> <p>Management should ensure, for the monthly reconciliation of benefit payments to benefit payment expense, the date range for the State Street Single/Multi Report encompasses the entire month to capture all transactions and reflect them appropriately in the financial statement records.</p>

30	2023-07-02	01/13/2023	<p>Fiscal Year 2022 Financial Statement Audit Management Letter.</p> <p>For the GL Account 112007 - Cash Regular, PBGC should design and implement a new control whereby PBGC performs monthly reconciliations of the Fund 3822 State Street Bank Statements to the accounting ledger balances.</p>
31	2023-07-03	01/13/2023	<p>Fiscal Year 2022 Financial Statement Audit Management Letter.</p> <p>PBGC should direct State Street to value the marketable securities in Fund 3801 to use automated pricing, consistent with how all of PBGC's Fund portfolios managed by State Street are valued.</p>
32	2023-07-04	01/13/2023	<p>Fiscal Year 2022 Financial Statement Audit Management Letter.</p> <p>Monthly, PBGC should compare the unit price change month to month to ensure that the unit price has been updated by State Street.</p>
33	2023-07-05	01/13/2023	<p>Fiscal Year 2022 Financial Statement Audit Management Letter.</p> <p>Quarterly, PBGC should compare the State Street unit price of the securities in Fund 3801 to an independent PBGC pricing service (e.g., ICE Remote Plus) to confirm the State Street unit price. If a pricing variance is above an absolute value of 3% (same threshold currently used between State Street and individual investment managers), PBGC should contact State Street to confirm its price and investigate/resolve the pricing variance.</p>
34	2023-07-06	01/13/2023	<p>Fiscal Year 2022 Financial Statement Audit Management Letter.</p> <p>Annually re-evaluate allocation methodologies considering any current and future year developments which may impact the execution of PBGC's operations such as proper allocation of direct and indirect expenses to the SFA program.</p>
35	2023-07-07	01/13/2023	<p>Fiscal Year 2022 Financial Statement Audit Management Letter.</p> <p>Management should correct and validate that the underlying report utilized in the compilation of the line item impacted, U.S. Government Securities, is complete and accurate.</p>
36	2023-07-08	01/13/2023	<p>Fiscal Year 2022 Financial Statement Audit Management Letter.</p> <p>Implement a process to revoke access to those user accounts whose SOD violations have not been resolved in a timely manner as defined by PBGC management.</p>

37	2023-07-09	01/13/2023	<p>Fiscal Year 2022 Financial Statement Audit Management Letter.</p> <p>We recommend PBGC management follow the established change management process for BigFix change deployments.</p>
38	2023-08-01	02/24/2023	<p>PBGC Should Improve Its Special Financial Assistance Procedures.</p> <p>Conduct a fraud risk assessment for the SFA program based on GAO's <i>A Framework for Managing Fraud Risks in Federal Programs</i> to fully consider specific fraud risks the Corporation and program faces.</p>
39	2023-08-02	02/24/2023	<p>PBGC Should Improve Its Special Financial Assistance Procedures.</p> <p>Based on the fraud risk assessment, develop mitigation strategies for risks that require remediation.</p>
40	2023-08-03	02/24/2023	<p>PBGC Should Improve Its Special Financial Assistance Procedures.</p> <p>Develop specific eligibility review procedures to detect multiemployer plans taking steps to manipulate ratios to qualify for SFA.</p>
41	2023-08-04	02/24/2023	<p>PBGC Should Improve Its Special Financial Assistance Procedures.</p> <p>Define specific and measurable risk tolerances for changes in key assumptions that impact the SFA amount and develop related review procedures.</p>
42	2023-08-05	02/24/2023	<p>PBGC Should Improve Its Special Financial Assistance Procedures.</p> <p>Design specific procedures for the SFA program to ensure (1) appropriate in-depth analysis and review of exceptions, as well as consistent review of historical data for outliers, one-time items and other anomalies, and (2) ensure the review and decision-making process for exceptions and historical data is fully documented in the concurrence package.</p>
43	2023-08-06	02/24/2023	<p>PBGC Should Improve Its Special Financial Assistance Procedures.</p> <p>Develop procedures for reviewing the impact of inflation on administrative expenses, and ensure supporting documentation is included in the case file.</p>
44	2023-08-07	02/24/2023	<p>PBGC Should Improve Its Special Financial Assistance Procedures.</p> <p>Develop and document procedures for management reviews of the concurrence package for SFA applications.</p>

45	2023-08-08	02/24/2023	PBGC Should Improve Its Special Financial Assistance Procedures. Review the control to ensure the weekly report provides enough context for the reader to determine the status of an application, including how much time was allotted for each step and where the application was within the step.
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If you want to confidentially report or discuss any instance of misconduct, fraud, waste, abuse, or mismanagement involving PBGC programs and operations, please contact the PBGC Office of Inspector General.

Telephone:
The Inspector General's HOTLINE
1-800-303-9737

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